Regional Oral History Office
The Bancroft Library

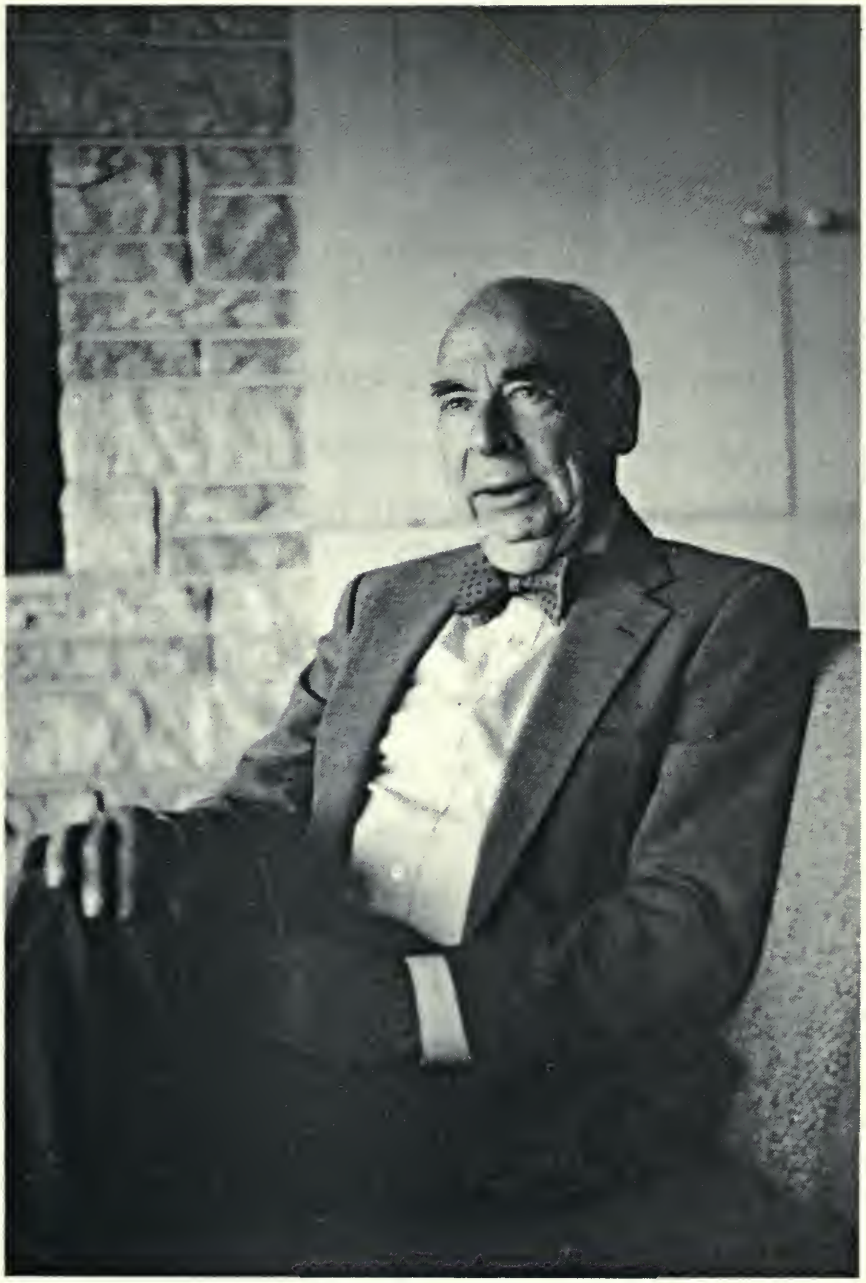
University of California
Berkeley, California

Kaiser Permanente Medical Care Program Oral History Project

Avram Yedidia

HISTORY OF THE KAISER PERMANENTE MEDICAL CARE PROGRAM

An Interview Conducted by
Ora Huth
1985



AVRAM YEDIDIA

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PREFACE

Background of the Oral History Project

The Kaiser Permanente Medical Care Program recently observed its fortieth anniversary. Today, it is the largest, one of the oldest, and certainly the most influential group practice prepayment health plan in the nation. But in 1938, when Henry J. and Edgar F. Kaiser first collaborated with Dr. Sidney Garfield to provide medical care for the construction workers on the Grand Coulee Dam project in eastern Washington, they could scarcely have envisioned that it would attain the size and have the impact on medical care in the United States that it has today.

In an effort to document and preserve the story of Kaiser Permanente's evolution through the recollections of some of its surviving pioneers, men and women who remember vividly the plan's origins and formative years, the Board of Directors of Kaiser Foundation Hospitals sponsored this oral history project.

In combination with already available records, the interviews serve to enrich Kaiser Permanente's history for its physicians, employees, and members, and to offer a major resource for research into the history of health care financing and delivery, and some of the forces behind the rapid and sweeping changes now underway in the health care field.

A Synopsis of Kaiser Permanente History

There have been several milestones in the history of Kaiser Permanente. One could begin in 1933, when young Dr. Sidney Garfield entered fee-for-service practice in the southern California desert and prepared to care for workers building the Metropolitan Water District aqueduct from the Colorado River to Los Angeles. Circumstances soon caused him to develop a prepaid approach to providing quality care in a small, well-designed hospital near the construction site.

The Kaisers learned of Dr. Garfield's experience in health care financing and delivery through A. B. Ordway, Henry Kaiser's first employee. When they undertook the Grand Coulee project, the Kaisers persuaded Dr. Garfield to come in 1938 to eastern Washington State, where they were managing a consortium constructing the Grand Coulee Dam. Dr. Garfield and a handful of young doctors, whom he persuaded to join him, established a prepaid health plan at the damsite, one which later included the wives and children of workers as well as the workers themselves.

During World War II, Dr. Garfield and his associates--some of whom had followed him from the Coulee Dam project--continued the health plan, again

at the request of the Kaisers, who were now building Liberty Ships in Richmond, California, and on an island in the Columbia River between Vancouver, Washington and Portland, Oregon. The Kaisers would also produce steel in Fontana, California. Eventually, in hospitals and field stations in the Richmond/Oakland communities, in the Portland, Oregon/Vancouver, Washington areas, and in Fontana, the prepaid health care program served some 200,000 shipyard and steel plant employees and their dependents.

By the time the shipyards shut down in 1945, the medical program had enough successful experience behind it to motivate Dr. Garfield, the Kaisers, and a small group of physicians to carry the health plan beyond the employees of the Kaiser companies and offer it to the community as a whole. The doctors had concluded that this form of prepaid, integrated health care was the ideal way to practice medicine. Experience had already proven in the organization's own medical offices and hospitals the health plan's value in offering quality health care at a reasonable cost. Many former shipyard employees and their families also wanted to continue receiving the same type of health care they had known during the war.

Also important were the zeal and commitment of Henry J. Kaiser and his industry associates who agreed with the doctors about the program's values and, despite the antagonism of fee-for-service medicine, were eager for the success of the venture. Indeed, they hoped it might ultimately be expanded thoughout the nation. In September, 1945, the Henry J. Kaiser Company established the Permanente Health Plan, a nonprofit trust, and the medical care program was on its way.

Between 1945 and the mid-1950s, even as membership expanded in California, Oregon, and Washington, serious tensions developed between the doctors and the Kaiser-industry dominated management of the hospitals and health plan. These tensions threatened to tear the Program apart. Reduced to the simplest form, the basic question was, who would control the health plan--management or the doctors? Each had a crucial role in the organization. The symbiotic relationship had to be understood and mutually accepted.

From roughly 1955 to 1958, a small group of men representing management and the doctors, after many committee meetings and much heated debate, agreed upon a medical program reorganization, including a management-medical group contract, probably then unique in the history of medicine. Accord was reached because the participants, despite strong disagreements, were dedicated to the concept of prepaid group medical practice on a self-sustained, nonprofit basis.

After several more years of testing on both sides, a strong partnership emerged among the health plan, hospitals, and physician organizations. Resting on mutual trust and a sound fiscal formula, the Program has attained a strong national identity.

The Oral History Project

In August 1983, the office of Donald Duffy, Vice President, Public and Community Relations for Kaiser Foundation Health Plan and Hospitals, contacted Willa Baum, director of the Regional Oral History Office, about a possible oral history project with twenty to twenty-four pioneers of the Program. A year later the project was underway, funded by Kaiser Foundation Hospitals' Board of Directors.

A project advisory committee, comprised of seven persons with an interest in and knowledge of the organization's history, selected the interviewees and assisted the oral history project as needed. Donald Duffy assumed overall direction and Darlene Basmajian, his assistant, served as liaison with the Regional Oral History Office. Committee members are John Capener, Dr. Cecil Cutting, Donald Duffy, Robert J. Erickson, Scott Fleming, Dr. Paul Lairson, and Walter Palmer.

By year's end, ten pioneers had been selected and had agreed to participate in the project. They are Drs. Cecil Cutting, Sidney Garfield, Raymond Kay, Clifford Keene, Ernest Saward, and John Smillie, and Messrs. Frank Jones, George Link, Eugene Trefethen, Jr., and Avram Yedidia.

By mid-1985 an additional ten had agreed to participate. They are: Drs. Morris Collen, Wallace Cook, Alice Friedman, Benjamin Lewis, Sam Packer, Bill Reimers, Harry Shragg, and David Adelson, Lambreth (Handy) Hancock, and Berniece Oswald.

Plans to interview Dr. Garfield and Dr. Wallace Neighbor, who had been at Grand Coulee with Dr. Garfield, were sadly disrupted by their deaths a week apart in late 1984. Fortunately, both men had been previously interviewed. Their tapes and transcripts are on file in the Central Office of the medical care program. Similarly the project lost Karl Steil due to his lengthy illness and death in 1986.

The advisory committee suggested 1970 as the approximate cutoff date for research and documentation, since by that time the pioneering aspects of the organization had been completed. The Program was then expanding into other regions, and was encountering a new set of challenges such as Medicare and competition from other health maintenance organizations.

Research

Kaiser Permanente staff and the interviewees themselves provided excellent biographical sources on each interviewee as well as published and unpublished material on the history of the Program. The collected papers of Henry J. Kaiser on deposit in The Bancroft Library were also consulted. The oral history project staff collected other Kaiser Permanente publications, and started a file of newspaper articles on current health care topics. Most of this material will be deposited in The Bancroft Library with the oral history volumes. A bibliography is located at the end of the volume.

To gain additional background material for the interviews, the staff talked to five Kaiser Permanente physicians in northern California, two of whom had left the program years ago: Drs. Martin Abel, Richard Geist*, Ephraim Kahn*, James Smith*, and William Bleiberg*. James De Long* in Portland, and William Green*, William Allen*, and Dr. Toby Cole* in Denver talked about the history of their regions. In addition, Peter Morstadt*, formerly executive director of the Denver Medical Society discussed the attitude of the Medical Society toward Kaiser Permanente's years in Denver.

The staff also sought advice from the academic community. James Leiby, a professor in the Department of Social Welfare at UC Berkeley and an advocate of the oral history process, suggested lines of questioning related to his special interest in the administration of and relationships within public and private social agencies. Dr. Philip R. Lee, professor of social medicine and director of the Institute for Health Policy Studies at the University of California Medical School, proposed questions concerning the impact of health maintenance organizations on medical practice in the United States.

Organization of the Project

The Kaiser Permanente Oral History Project staff, comprised of Malca Chall, Sally Hughes, and Ora Huth, met frequently throughout 1985 to assign the interviews, plan the procedures and the time frame for research, interviewing, and editing, and to set up a master index. Interviews with the first nine pioneers took place between February and June, 1985, and with the second group between February and December, 1986. The transcripts of the tapes were edited, reviewed by the interviewees, typed, proofread, indexed, copied, and bound. The entire series will be completed during 1987.

Summary

This oral history project traces, from various individual perspectives, the evolution of the Kaiser Permanente Medical Care Program from 1938 to 1970. Each interview begins with a discussion of the individual's family background and education--those tangible and intangible forces that shaped his or her life. The conversation then shifts to the interviewee's participation in and observation of significant events in the development of the health plan. Thus, the reader is treated not only to facts on the history of the Program, but to opinions about the personal qualities of the men and women--doctors, other health care professionals, lawyers, accountants, and

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*Tapes of these interviews have been deposited in the Microforms Division of The Bancroft Library.

businessmen--who, often against great odds, dedicated themselves to the development of a health care system which, without their commitment and skills, might not have resulted in the individual and organizational achievements that the Kaiser Permanente Medical Care Program represents today.

The Regional Oral History Office was established to tape record autobiographical interviews with persons who have contributed significantly to the development of the West. The office is headed by Willa K. Baum and is under the administrative supervision of James D. Hart, the director of The Bancroft Library.

Malca Chall, Director
Kaiser Permanente Medical Care Program
Oral History Project

23 January 1987
Regional Oral History Office
Berkeley, California

INTERVIEW HISTORY

Avram Yedidia is a highly regarded health care economist and a revered pioneer of the Kaiser Permanente Medical Care Program. During World War II, in November 1941 he went to work for the Permanente Metals Corporation, Shipbuilding Division (the Kaiser shipyards), Richmond, where he enrolled in the company's Permanente Health Plan when it was organized in 1942. In 1945 he was hired by Dr. Sidney Garfield as a health plan representative, responsible for signing up groups of workers and their dependents in the critical postwar years after the shipyards closed and the plan was opened to the public. Later, he became a key consultant to the plan and other health maintenance organizations (HMOs) nationwide. Proficient, erudite, straightforward, and personable, he had a distinguished career with Kaiser Permanente. Although he retired in 1982, today at age seventy-five he continues as a much sought after consultant in health care economics.

Currently residing in Oakland, California, Avram Yedidia was born October 12, 1911, in Tel Aviv, Israel, the son of a teacher who was an American citizen and a housewife whose ancestors had a longtime involvement in Israel's politics and history. His early schooling was in Tel Aviv and Jerusalem, and he graduated from the Hebrew University, Jerusalem, in physics. After coming to the United States in 1931, he continued graduate studies in English, mathematics, psychology, and economics at Syracuse University, Columbia University, the University of Chicago, and the University of California at Berkeley (UCB). He supported himself working in a spring factory and teaching Jewish history and Hebrew.

At UCB he met his future wife, Frances, whom he married in 1938, the year he was hired as research director for the Sutro Branch of the California State Library in San Francisco, and assigned to oversee cataloging of the Adolph Sutro collection. In his oral history he notes that he moved on to the Kaiser shipyards in 1941, where he "applied library methods for handling railroad cars and steel," as he developed "a systematic method for unloading the cars, and storing and delivering steel." He also moved from responsibility for sixty employees at the Sutro library to supervision of close to four hundred Kaiser crew members. With characteristic good humor, Avram Yedidia explains his first exposure to the Kaiser health plan, when he describes handling the task of signing up his big crew as plan members.

He also tells about his role after changing jobs to become a health plan representative, in signing on union groups--milk wagon drivers, autoworkers, and steelworkers--under negotiated, prepaid contracts when nationally the unions were in rival plans. At first, Kaiser Permanente provided only supplemental insurance for such workers, but later, with the dual choice of plans (in which he had a hand), the plan grew rapidly. He describes his efforts, with the aid of colleagues, to secure passage of the Federal Employees Health Benefits Act in 1959 and similiar state legislation--measures that opened the Kaiser health plan to federal and state employees.

Moreover, his efforts made the plan an alternative choice for the City and County of San Francisco Employees Health Services System and longshoremen, coastwide. For twenty-three years, 1957 to 1982, he was a consultant for the Kaiser health plans in northern California, Hawaii, and Ohio. Mr. Yedidia also tells about his consulting for the Yale University Medical School and Yale/New Haven Hospital; for the federal Office of Economic Opportunity, where he proposed organization of neighborhood health centers--implemented later in several Kaiser Permanente regions; for the California canning industry, in a preventative medicine program, including a very successful mobile multiphasic program begun in 1967, with which he is still working; and for the gigantic Health Insurance Plan of New York (HIP), for which he did studies and reports in the early 1960s and mid-1980s.

The pre-interview conference took place on April 8 at 2 p.m., and the interviews were recorded on April 23, June 14, and June 25, 1985, beginning at approximately 10 a.m. Averaging two hours in length, all four sessions were in Mr. Yedidia's study at his home in Oakland. An outline was provided in advance, and the scope and topics to be covered were discussed and adjusted before each interview. There was a large picture window overlooking the beautiful flowering shrubs in the patio area, including some of the magnificent orchids he grows as a hobby. The interview participants were seated opposite each other at a low table. Mr. Yedidia's wife, Frances, was introduced before the pre-interview conference. At first skeptical of the interview process, once it was underway he was at ease, open, and he responded to the interview questions with enthusiasm. Although he expressed reluctance to talk about his personal background, he agreed to follow the outline provided, with a few additions, for a complete oral history. He returned his edited transcript in a timely manner, with revisions providing more complete information, but without altering the sequence followed in the recorded interviews.

As a health care economist, Avram Yedidia notes that the experience rating thrust of "the Blues" (Blue Shield and Blue Cross) is based on medical expenditures, while Kaiser Permanente's rate setting is community related. He thinks HMOs are better at spreading the costs of medical care, but he sees indications that Kaiser is moving toward some experience rating, which he says makes health insurance too costly for the poor and the elderly. He adds that he is convinced that the emphasis on this method led to the need for Medicare and Medicaid. He thinks Kaiser has made "great strides" in the care of the seriously ill, and that the obstetrics and pediatrics care is excellent. He says physician recruitment is no problem because many young doctors are interested in practicing at Kaiser, including those trained there, many of whom cannot be absorbed. He had the following to say on health insurance generally:

> There is no use saying we are doing a good job in the field of voluntary health insurance, unless we face the responsibility of providing health care or protection for the very special categories for which we presumably show

> the most concern--the sick, the unemployed, the retired, and the aged...If we cannot face our responsibility, it seems to me we should get out of that business and into another one.

In describing his aims, roles, and activities over the years, Avram Yedidia provides the reader with a sense of his boundless knowledge, solid integrity, and tremendous love for the work he did. His closing remarks reveal his modest character; as he says he is "grateful" that he "happened to wander" into the midst of the health plan in 1945, and that he had "the opportunity to share in a great adventure." The pursuits of his sons, Peter and Michael, and Peter's family, especially Peter's young son, Mario, plus activities with Frances, such as gardening and travel, are now the lights of his life.

Ora Huth
Interviewer-Editor

9 July 1987
Regional Oral History Office
486 The Bancroft Library
University of California at Berkeley

I FAMILY BACKGROUND AND EDUCATION, 1911-1938

[Interview 1: April 23, 1985]##

Huth: I'd like to ask you a few questions about your personal family history and your educational background. To begin, when and where were you born?

Yedidia: I was born in Tel Aviv, Israel, on October 12, 1911.

Family Ties and Early Schooling in Israel

Huth: Before you were born, had your parents lived in Tel Aviv for a long or a short time?

Yedidia: My father was an American citizen, and my mother was sixth generation Israeli, on her father's side, and first generation on the mother's side.

Huth: What about your mother's grandparents? How long had they lived in what is now Israel?

Yedidia: On my mother's side, the great, great grandfather came in the early nineteenth century to what was Palestine at that time.

Huth: Do you know when?

Yedidia: According to a recently published autobiography of one of my numerous Israeli cousins, the year was 1812.*

##This symbol indicates that a tape or a segment of a tape has begun or ended. For a guide to the tapes see page 85.

*Salomon, Ya'akov, In My Own Way, The Gillie Salomon Foundation: Haifa, Israel, 1922.

Huth: What about the size of the families? Did your grandparents come from a large family, or a small family?

Yedidia: I think most families were large. It was the order of the day. [laughs]

Huth: How many brothers and sisters did your grandfather and grandmother have? Do you remember?

Yedidia: I really couldn't count them. In my own family, I was the youngest of nine children. Interestingly, in our family, my siblings span a few generations. In fact, I have a nephew who's six months younger than I.

Huth: Were there any brothers and sisters who were especially influential in your life, that were closer to you than the others?

Yedidia: The one closest to me was a sister who actually lived in the same household that I lived in as a child--the sister who was next in line to me, Judith.

Huth: Is she still living?

Yedidia: Yes.

Huth: Where does she live now?

Yedidia: She lives in Israel. She returned to Israel after graduating from the University of Chicago. Her husband and she were in the foreign service of Israel, ever since the state was established.

Huth: Are they still serving in the foreign service?

Yedidia: No, no. Her husband retired several years ago, and died two years ago. He was an ambassador to a number of countries.

Huth: Any special countries?

Yedidia: Romania, during the 1967 war. As it happened, it was the only Eastern [Block] country that did not sever diplomatic relations with Israel. He was also an ambassador to Chile and to Argentina.

Huth: Did he speak Spanish?

Yedidia: He spoke about eight or nine languages.

Huth: Did your sister go with him to those countries?

Yedidia: Oh, yes.

Huth: You said that they were both in the Israeli Foreign Service. Did she have a job with the foreign service, also?

Yedidia: Usually, in the Israeli system, at least the way it was then, both the husband and wife always worked together, whatever the assignment.

Huth: Did they have children?

Yedidia: Yes, they have two children. They're in Israel.

Huth: How about any others of your brothers or sisters?

Yedidia: I have a brother, an older brother, who lives in Los Angeles. His name is Jerry. He was a school principal in Chicago. He retired at least fifteen years ago.

Huth: Did he marry?

Yedidia: Yes. He's a widower now.

Huth: And did he have children also?

Yedidia: He has one son.

Huth: Is the son in Los Angeles?

Yedidia: Yes. He's a teacher. My sister, Judith, and brother, Jerry, are the only survivors among my siblings.

Huth: Did the others all live in Israel?

Yedidia: Well, all lived in Israel at one time or another, but at least four of them were educated in the United States. My oldest sister lived in the United States all of her adult life, as did my brother, Jerry, and I.

Huth: What about your parents? What did they do, and where did they live?

Yedidia: I said my father lived part of his life in the United States. He was a college teacher in Israel.

Huth: What did he teach--what subject?

Yedidia: Mostly Jewish history and theology.

Huth: And your mother?

Yedidia: My mother was a housewife. She had nine children. [chuckles]

Huth: The important role.

Yedidia: She was a very wise human being.

Huth: Anything else you'd like to say about your parents?

Yedidia: I don't think so.

Huth: What about your grandparents? Did they have any influence on your life at all?

Yedidia: Mostly related to what people told me about them. My grandfather died when I was an infant. Grandmother died when I was ten or twelve years old. My grandfather was a remarkable man. He was born in the old city of Jerusalem. And as the story goes, when he got married, he and six of his contemporaries were married about the same time. They used the dowry to the bridegroom, as was the custom of the time, to get out of the old city and build a community for themselves about a mile away, outside the old walled city.

Their parents, as I was told, thought they were all raving maniacs and that they would be killed overnight. But they established a community, known to this day as the "Property of the Seven," because there were seven of them.

The family picture that I showed you was taken in the courtyard of that compound.

Huth: And the "Property of the Seven" refers to the seven couples?

Yedidia: Yes.

Huth: So there were fourteen in the community altogether?

Yedidia: That's right. This area is now in the center of Jerusalem.

Huth: Does it have some borders that still exist?

Yedidia: It's probably hard to define the borders.

Huth: You showed me a picture that you have of your grandparents that includes your parents and one of their children with them. Could we estimate about how many people are in the picture?

Yedidia: Probably about eighty.

Huth: And these are all members of their family. This is quite a picture! When was it taken? Do you know?

Yedidia: 1904.

Huth: That was a few years before you were born.

Yedidia: Seven years.

Huth: Were there any aunts or uncles that were influential in your life?

Yedidia: Not particularly.

Huth: Were there any of your relatives that went into something in the health field?

Yedidia: No, they were mostly in business, farming, law, and in politics.

Huth: Were there others who went into teaching, such as your father did?

Yedidia: I suppose so. The family on my mother's side is large. It is also a very prominent family in Israel.

Huth: And had they, in the past, been in politics?

Yedidia: Many of them were in politics, and probably are to this day.

Huth: You said they were prominent in Israel. Was it from having been there a long time, or was there some other reason why they were prominent?

Yedidia: Well, one of my uncles, during the years of the British occupation--the British Mandate, it was called, though locally many considered it an occupation--was the vice-mayor of Jerusalem. The mayor of Jerusalem was then customarily an Arab, and the vice-mayor, a Jew. This uncle played a prominent role in the life of the city and the country during that period.

Huth: Can you give me an estimate of the time period?

Yedidia: This was during the British Mandate that started in 1918, after World War I, and lasted to 1948, when the state of Israel was established. He was prominent politically, almost throughout the period, particularly during the 1920s and 1930s. Another uncle was chairman of the city council in Haifa for many years.

Huth: Now, will you please tell me about your education, where you went to grammar school, and your earliest schooling.

Yedidia: I went to grammar school in both Tel Aviv and Jerusalem because the family moved. I went to high school in Jerusalem, and to the Hebrew University. Then I came to the United States in 1931, and to Berkeley in 1936.

Huth: Will you please tell me about your studies at the Hebrew University? Did you have a major at that time?

Yedidia: My major interest at that time was physics, and actually, when I came to the United States I intended to study physics.

I was not a full-time student here because I had to earn my living. It was in the depth of the depression, both here and in Palestine at that time.

Huth: Did you work while you were at the Hebrew University then, to earn a living?

Yedidia: I worked part time then, but that was easy.

Huth: What did you work at to earn a living?

Yedidia: As a student, you know, I'd always find jobs, including tutoring, and a variety of other things.

Graduate Study in the United States, 1932-1938

Huth: When you came to the United States, where did you go when you first arrived here?

Yedidia: I came here at the end of 1931, and I lived in New York for one year.

Huth: Were you going to school?

Yedidia: I went to Columbia University as a graduate student.

Huth: In physics?

Yedidia: No. Even though my father was an American, my English was very deficient. So during my early years in the U.S., I learned the language, and I took some courses in math, and so on. But I was a part-time student. During that year, I worked in a spring factory in New York City.

Then I lived one year in Chicago.

Huth: Were you going to school there?

Yedidia: Yes, I went to the University of Chicago. That year, I earned my living by tutoring adults in Hebrew. My sister was there then. She came there a year ahead of me.

Yedidia: As I said earlier, she graduated from the University of Chicago.

Huth: So you were there one year, and then where did you go?

Yedidia: I was in New York another year, then I came here. I was actually at Syracuse, New York, one year.

Huth: Were you at the University of Syracuse?

Yedidia: I attended classes there, too. It was that year that I decided to no longer pursue physics. Later, when I came to California, I was mainly interested in economics.

Huth: Did you study economics at Syracuse?

Yedidia: I don't really recall.

Huth: But you were working then, also?

Yedidia: Yes. I always worked.

Huth: Can you tell me what you did in Syracuse?

Yedidia: I taught Jewish history and Hebrew at the Jewish Community Center. All of my moves then were made in relationship to jobs, not in relationship to a preferred education or choice of location.

Huth: Do you remember what you studied at Syracuse?

Yedidia: I was interested in psychology, education, and economics at that point.

Huth: After Syracuse, where did you go?

Yedidia: To New York City for one semester. There was an opening for a job there. I didn't go to school during that semester. I came down from Syracuse in the middle of the year. Then I came to Berkeley.

Huth: What did you work at that semester that you didn't go to school in New York City?

Yedidia: Teaching--the same thing--Jewish history and Hebrew. Then I came here in January, 1936, to go to school at the University of California at Berkeley (UCB).

By that time, there were already some federal jobs for students on the campus.

Huth: Were they all what you'd call odd jobs--nothing related to anything later?

Yedidia: No. Just whatever you had to do to earn a living. My major concentration at the university here was economics. Robert Brady was then chairman of the Department of Economics. We became very friendly, and he had a great deal of influence on my work here. I also continued my interest in psychology, and I studied under Dr. Tolman, who was then the chairman of the Department of Psychology.

As a matter of fact, I met my wife in the seminar course of Dr. Tolman.

Huth: Were these graduate studies?

Yedidia: Yes, but I did not complete a graduate degree.

Huth: How many years did you go there?

Yedidia: Two years.

II ESTABLISHING A CAREER AS RESEARCH DIRECTOR FOR THE SUTRO LIBRARY, 1938-1941

Yedidia: Then in 1938, in the process of seeking a job, I ended up being the research director for the Sutro Branch of the California State Library in San Francisco. I spent three years there.

Huth: Was that a full-time job, and your first job after schooling?

Yedidia: This was the job that got me out of school. [chuckles] I had some sixty people working for me there.

Huth: Did you live in San Francisco while you were there?

Yedidia: No, I lived in Berkeley.

The Sutro Library was given to the State Library by Adolph Sutro, who was the mayor of San Francisco in the 1880s. After he completed his term as mayor, he took a trip around the world and decided to do something for San Francisco. He purchased books, manuscripts, and maps, and shipped them to San Francisco.

When he came back, he established a library. Part of his collection was burned in the earthquake and fire in San Francisco in 1906. He was no longer alive then, but the collection was under the control of his daughter, Dr. Emma Sutro Merritt. She was a physician who tried to preserve the library.

Huth: Was there much left of the collection after the earthquake?

Yedidia: A great deal, a great deal. It is still a very important library to this day. During her lifetime, pursuant to her father's will, she gave it to the state. It was housed, at the time that I got involved in it, at the San Francisco Public Library. There was one floor of stacks that was used for this purpose. I got involved in it as a by-product of looking for a job.

Yedidia: I talked to Professor Popper, who was the head of the Semitics Department at the University of California. He was also the chairman of the arts and lectures department. He befriended me during my early years here, even though I was not a student in his department. At the end of classes in 1937, I looked for a job between semesters, and I talked to him about it.

He told me that he'd look to see what I could do. But then he asked me whether I would do him a favor. He told me about the Sutro Library. He said that this collection included Hebrew manuscripts, and that the people who sold those manuscripts to Mr. Sutro had claimed that they were very valuable. They claimed, for example, that one of the scrolls was written by Maimonides.

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Maimonides was a twelfth century rabbi, physician, and philosopher, who lived in Spain and subsequently in Egypt.

Dr. Popper told me that, because of the war in Europe which had already started, he had many inquiries about this manuscript and others in the collection. These came from people in European countries, primarily scholars associated with the British Museum, who were concerned about the impact of the bombing of London on their collections. The preservation of historical material everywhere was uppermost on their agendas.

He asked me to look at the collection. I protested, and I told him, "Outside of knowledge of the Hebrew language, I have no educational background or skills related to the evaluation of such historical material." He said, "At least you know the language, and that in itself is a great plus."

After looking at the manuscript, my prediction that I wouldn't know how to judge them was fulfilled. I was amazed, however, at the vast material in the library. Most of it had never been catalogued because of the lack of resources. A great portion of it had never been unpacked. It was still in packing cases.

I was particularly impressed with the English pamphlets, from the sixteenth and seventeenth centuries, and also with the large collection of Mexican pamphlets from the years between 1800 and 1820. After spending some two weeks in the library browsing around, I wrote a letter to Dr. Popper. I reported to him that I didn't have the competence to appraise the Hebrew manuscripts, nor was there any available reference material in this area that would assist a scholar in appraising them.

The most important reference material for such work, I found out, would have been a catalog of the manuscripts in the British Museum, and no library in this area had such a catalog at that time. I went on to tell him that I was astounded that such a

Yedidia: valuable collection, that should be an important source for scholars in a number of fields, had never been catalogued. I don't have a copy of that letter now, but I assume it was a little brash. I was still young.

Assistance from Miss Gillis, California State Librarian

Yedidia: Several weeks after I sent this letter, I received a note from Miss Mabel Gillis, the California state librarian at that time, telling me that Professor Popper had sent a copy of my letter to her, and inviting me to have lunch with her in San Francisco.

Miss Gillis was a most remarkable woman. The day we had lunch, she took the trouble to explain that the State Library was aware of the treasures of the Sutro Library, but was unable to do much about it. As a matter of fact, she said there was a bill before the state legislature to give the collection back to the donor's heirs.

The reason for this piece of legislation was an effort to trim their budget by the amount of the expense incurred for the administration of this library. If I am not mistaken, the budget for administering this library was something less than a thousand dollars a month, as I recall, for the salary of two people: a full-time librarian and a part-time assistant.

Huth: So what happened?

Yedidia: Miss Gillis told me that there were actually no heirs available who would take it back. Dr. Emma Sutro Merritt was still alive then, but she was retired, and then probably in her late eighties.

In any event, as a result of this lunch, Miss Gillis asked me whether I would prepare a document that she could use to apply for federal funds for the purpose of cataloguing the library. I spent several weeks preparing the document, which I forwarded to her. Several months later she called me to tell me that she had the money, and that now I "had to come and tell her what to do with it." I spent three years working there, with a staff of some sixty people.

During that period, we prepared approximately one hundred mimeographed publications. Most of them consisted of annotated bibliographies, Mexican pamphlets relating to their revolution, and English pamphlets, dealing largely with the poor laws in Britain.

Huth: What are the poor laws?

Yedidia: Laws pertaining to the poor in Britain in the sixteenth and seventeenth centuries.

Huth: Both of those categories make these sound like valuable historical documents.

Yedidia: Yes. I think that the Sutro Library is now housed in the University of San Francisco.

Huth: As part of their library?

Yedidia: There's probably a special section for this library. I read something about it recently. I haven't been in touch with anybody knowledgeable about that material for many years. I worked on this project until August of 1941. In November of 1941 I went to work for Kaiser at the shipyards.

III BEGINNING WORK FOR KAISER: THE RICHMOND SHIPYARDS, 1941

Huth: When you went to work for Kaiser at the shipyards, where were they located?

Yedidia: In Richmond.

Applying Library Methods to Steel and Railroad Cars

Huth: What did you do?

Yedidia: Well, I applied library methods for handling railroad cars, and storing steel.

Huth: So there was a carryover.

Yedidia: Yes. That's how I got to be in charge of it.

Huth: Were you inventorying and storing away?

Yedidia: All of those things.

Huth: A library of steel.

Yedidia: A library of railroad cars and steel. When I got involved in it, there must have been about a thousand railroad cars within the area of Richmond, and somehow the process of unloading and delivering steel to the shops was very slow.

Huth: Was that because they couldn't locate the steel?

Yedidia: Well, the people were very competent in their own fields, but they had never handled that volume of material all at the same time.

Huth: 1941 must have been in the beginning of the shipyards. Didn't they just start up then?

Yedidia: They were already well underway when I went in. I started working there probably in November of 1941.

Huth: Did you have people under you? You said you were in charge of this activity.

Yedidia: Several hundred.

Huth: And you got it organized so they could find what they wanted and put it to use?

Yedidia: Many people helped me. It was the development of a systematic method for unloading, storing, and delivering steel that was crucial.

Huth: Was it under your direction?

Yedidia: Yes.

Huth: How long did you work at that job?

Yedidia: Until May of 1945.

Dedicated Effort on the Job

Huth: Did you moonlight in any other kinds of jobs while you were doing that?

Yedidia: This was a job that absorbed all my energy. I used to go to work sometimes on Monday, and not come home until Thursday. We were fighting a war.

Huth: There was much overtime?

Yedidia: Yes.

Huth: I was thinking of Frank Jones, who told me about his moonlighting. While he was working full time, he was also driving an ambulance.* I thought that was an interesting story, and I wondered if there was anything like that for you.

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*Frank C. Jones, The History of the Kaiser Permanente Medical Care Program, an oral history interview in progress, Regional Oral History Office, The Bancroft Library, University of California, Berkeley.

Yedidia: I was an exempt employee, and that meant that you just worked until the job was done.

Huth: How did they arrange the exempt employee status? How was that done?

Yedidia: "Exempt" meant exempt from the union, and also from the wage and hour law, which included restrictions with respect to working hours. You worked as many hours as you had to.

Huth: During wartime there probably was a lot of that--working six, seven days a week.

Yedidia: Most people there were very dedicated, and felt frustrated that they couldn't get out, and couldn't get into military service because they were needed in these jobs that were making a contribution to the war effort.

Huth: What about you and the military service?

Yedidia: Actually, when the job with the California State Library ended, I was going to enlist. Then a physician in San Francisco, Dr. Leo Elloesser, at that time chief of surgery at Stanford [Hospital]--who was a very generous friend, looked at my chest x-ray. He told me that I'd never be accepted, certainly not as a volunteer, because I had had chest surgery as an infant, and my lungs still showed some adhesions.

So I decided to wait my turn with the draft, and by the time the draft board got to me, the shipyards wouldn't release me.

Huth: So it was an exempt job then.

Yedidia: Yes, exempt from military service. But the exempt that we talked about before is a different kind of exempt.

Huth: Yes. I understand the distinction.

Yedidia: Well, we're spending a lot more time on this than necessary because it really hasn't got much to do with the history of the health plan.

Huth: You probably were finding out some things about the Kaiser operation at that time.

Yedidia: Yes, the health plan.

Huth: Were you in the health plan? When did the health plan start?

Yedidia: Sometime in 1942.

Huth: And you joined right away?

Yedidia: Yes, I was an early member.

Huth: And were you married at that time?

Yedidia: I was married, yes. I was married in 1938.

IV MORE ON FAMILY BACKGROUND

Huth: We forgot to mention anything about your marriage. We didn't mention your wife's name, or what she had done, other than that you met her.

Yedidia: My wife was a teacher and a social worker. Her name is Frances.

Huth: What did she teach?

Yedidia: Before she came to California she taught grammar school. She was born in St. Louis. She came here to U.C. Berkeley as a graduate student with a major in American history.

Huth: Where did her parents come from?

Yedidia: Her mother was born in Minneapolis, and her father probably in St. Louis.

Huth: What did her father do?

Yedidia: He was a businessman.

Huth: Any particular business?

Yedidia: Metals.

Huth: And while we're talking about your wife, what would you like to say about your children?

Yedidia: We have two children.

Huth: When were they born?

Yedidia: One was born in 1943, and one in 1946.

Huth: Are they girls, or boys?

Yedidia: Two boys. Now two grown men. [laughter]

Huth: And what about them? What are they doing?

Yedidia: My oldest son, Peter, works in the Peninsula Hospital in Burlingame, and is the director of geriatric services there.

Huth: Is he a doctor?

Yedidia: No, he went to undergraduate school at Claremont Men's College, with a major in economics, and then he went to the School of Public Health at the University of Michigan.

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He's married. His wife is a psychiatric social worker. They have a five-month old son.

Huth: Is this child your only grandson?

Yedidia: That's right. He's now the major point of concentration in the family.

Huth: You said he's at the Peninsula Hospital, so where do they live?

Yedidia: In San Francisco.

Huth: What do you want to tell me about your other son, born in 1946?

Yedidia: He went to school at U.C. Davis [University of California at Davis].

Huth: What is his name?

Yedidia: Michael. At U.C. Davis, his major was sociology. He graduated in 1968. Then he went to Yale [University], and took a Master's Degree in public health at Yale, and a Ph.D. in sociology from Brandeis [University]. He's an associate professor at New York University, in the School of Public Administration.

Huth: Is he married?

Yedidia: No.

Huth: Any prospects?

Yedidia: There are always prospects.

Huth: I'm glad we took a little detour and talked about your children. Is there anything else you want to say about your wife or your children? What does your wife do?

Yedidia: To pass the time?

Huth: It looks as if she's perhaps often busy with garden and yard work?

Yedidia: She's been up to many things. [laughs]

Huth: And did she ever work?

Yedidia: Oh yes, she worked.

Huth: Where did she work?

Yedidia: She was a social worker, and then after the kids grew up she worked on a research project on child development sponsored by U.C. Berkeley and Kaiser.

Huth: Was it through one of the child development studies that UCB runs?

Yedidia: Yes, at Kaiser down on Howe Street in Oakland. That was the one for which the director was Dr. Jacob Yerushalmy, from the U.C. School of Public Health, who died in 1973. It was a joint project.

Huth: Was it located in one of the houses there on Howe Street, near the Kaiser Foundation Hospital?

Yedidia: Yes. They interviewed women before childbirth, and after, and followed through. It was a very interesting project. The records are all there, you know.

Huth: Approximately what year was that?

Yedidia: It must have been in the sixties, late fifties, early sixties. The study went on for a long time. She worked there about three or four years.

Huth: It does sound like an interesting project. And the work that she did was as a researcher?

Yedidia: No, as an interviewer. Therefore, the social work background was important.

Huth: You said she worked as a social worker. Where was that work?

Yedidia: Well, that was before World War II. She worked at the California State Relief Administration, and then she worked at the National Youth Administration.

Huth: Was that the NYA?

Yedidia: That's right. You know that one.

Huth: Yes, I was an employee of the NYA on the U.C. Berkeley campus.

Yedidia: I was an employee of the NYA at one time, too. But she worked in the state office of the NYA. She probably had an NYA job when she went to school, too.

Huth: Where was the state office located?

Yedidia: In San Francisco.

Huth: And what did she do there?

Yedidia: I don't know for certain. They all tried to dream up projects, supervise them, make sure that the kids did something for the money. And actually some very interesting things happened.

V WORKING WITH PERMANENTE HEALTH PLAN: THE EARLY YEARS, 1942-1945

Huth: We sidetracked to talk about your family, and before that we were talking about the Sutro Library. Then we got to the shipyards, and then in 1942 you joined the health plan, and that's where we ended. Can you tell me anything about the early experiences with the health plan as a member? How did you get interested in it?

Yedidia: I got interested in it because it was an interesting idea. Because of my interest in it, the people who were working in the health plan office at the shipyards became friendly with me.

Helping Enroll Health Plan Members

Huth: Did you have the kind of job that allowed you to move around so you could meet a lot of people in the shipyards, and become acquainted with them?

Yedidia: I had some three or four hundred people working under me. During the early, hectic days, I didn't talk to anybody about the health plan or anything else outside of the job because the job itself was too demanding. But, actually, my friendship with the people in the plan started as a result of a little argument.

The health plan people were going to send "salesmen" to enroll the people who were working for me, and I refused to let them send the salesmen. I said to them, "There is a lot of moving equipment, a lot of people working long hours, and I have enough trouble worrying about accidents without having a bunch of salesmen around." Then they said that I was not cooperative, and I said, "I'll be very cooperative. Just give me the enrollment cards, and I'll see to it that they join." "Come back in twenty-four hours," I said.

Huth: So you became the health plan representative for your group.

Yedidia: I became the ambassador.

Huth: How could you cover three hundred to four hundred people in twenty-four hours?

Yedidia: Oh, through supervisors. There are all kinds of lines of authority. You just send it down the line. You tell them what it is in a few words, and tell them that it's voluntary. If they don't want to sign up, they don't have to. They all signed up.

Huth: It must have sounded attractive to them, if they all signed up.

Yedidia: It was only 50 cents a week, or $2.60 a month.

Huth: Did you have any employees who didn't sign?

Yedidia: There was one.

Huth: And what was the reason?

Yedidia: Al Brodie, who was the man I dealt with, came back after twenty-four hours. He was the man I had the argument with.

I had all those four hundred cards signed. And I said, "This represents everybody on my payroll, but one." And he said, "Oh, that's fine, that's fine. That's better than one hundred percent."

I said, "No, we are short one. You have to talk to her and find out why she didn't sign up." She was Danish, and her English was a little faulty. She was just learning the language. I remember her first name, Ingrid. Brodie said, "Look, I don't want to bother you." I said, "You don't want to bother yourself."

So I challenged him. I found out where she was, and I introduced him to her, and I said, "You didn't sign up on this. Why didn't you?" She said, "I didn't because I was told I had to." "Well, you don't have to," I said. "If you say I should sign up, I will sign up," she said.

I said, "No, no, I don't want you to sign up, unless you want to. I brought this man who will sit down with you and tell you what it's all about, so you can make up your mind." And Al Brodie said, "I don't want to bother anybody, I just want to help them sign." So he ended up having to tell her all about the plan. Not in my presence. That's how I got involved with the health plan.

Huth: So did she sign?

Yedidia: Oh, sure. In subsequent months, I helped the people involved put on health education programs during the lunch hour on subjects such as how to avoid catching colds if you get wet, do something about it, and a number of other topics, including venereal disease prevention, to the extent that you could talk about it in those days on a public announcement system. But the health plan folks organized some very interesting programs that were helpful.

Huth: Was Al Brodie the one who organized them?

Yedidia: No. There were other people involved in it, as I recall, but he was the liaison. As a result of this activity, I met some of the other people, including Dr. Sidney Garfield.

Huth: Did Dr. Garfield come as part of that program?

Yedidia: No.

Huth: Did you meet any of the other early leaders at that time?

Yedidia: I met a number of people who were involved at that time. Leif Thorne-Thomsen was one, and Bill Price.

Huth: Those are both names of people I have not heard about before.

Yedidia: Bill Price had various jobs. He was the controller at one time; he was with the program until he retired. He just died about two years ago. As a matter of fact, I think that after he retired he was involved in trying to prepare a history of the organization. And there were some interviews that he recorded with Dr. Garfield. You might try to find out what happened to them.

Huth: Do you know about what year? Would it have been during the 1970s?

Yedidia: Yes, it was during the 1970s.

Huth: And he actually did the interviews?

Yedidia: I don't know that he did the interviews, but I know that he had something to do with them.

Huth: I'll try to find out some more about that. And at that time did you do anything other than act as a representative for your employees? Was that from about 1942 to 1945 that you did that?

Yedidia: Yes. I had a full-time job with the shipyards.

Huth: I just wondered if you had any other job with the health plan.

Yedidia: No.

Huth: Did you help set up any of these education meetings?

Yedidia: I helped them with that.

Huth: With ideas?

Yedidia: Yes, as a volunteer.

Huth: With ideas, or with the logistics of setting them up?

Yedidia: I really don't remember.

Huth: Would this have been at the time, or around the time, that you first got interested in prepaid health or medical care programs? Had you, in your economics studies, read anything about it, or had an interest in it before then?

Yedidia: I didn't particularly have an interest in it before, but I was exposed to it as an idea earlier when I lived in Israel. There was an organized program there that was developed by the labor movement that everybody belonged to. All working people belonged, teachers, judges, and so on, and this program covers as much as eighty percent of the population to this day. So I was familiar with the concept.

Huth: Was it a prepaid program?

Yedidia: Yes. It was a prepaid program.

Huth: Do you have any knowledge about how they happened to start that program in Israel? Whether it went back to the eighteenth century?

Yedidia: No. I believe it started in the 1920s. Remember that this was and is a pioneering country, that people came there from all walks of life--primarily intellectuals and white collar workers who went there to work in the fields. Their ideology was intwined with the work ethic, especially work with the hands. You found artists and university professors, and so on, who came there to be farmers. Their entire life was based on collective arrangements and health care was part of it. They used the resources the best way they knew. But I did not at that time have any particular interest in the field of medical care.

VI DESIGNING THE HEALTH PLAN: THE TRIAL AND ERROR PERIOD, 1945-1950

Huth: It was around 1945 that the health plan moved out and away from just covering the shipyard workers, and it opened up to the public. Did you have any input into any of the decisions to open it up at that time? Did anybody consult you?

Yedidia: My involvement with the plan came as a result of a discussion with Dr. Garfield, when he asked me whether I thought that this plan would fly in the normal community, meaning a non-war situation. My own feeling was, as I expressed it to him, that it would be a great thing to do. I didn't see any reason why it couldn't be accomplished.

And he asked me, "Would you like to come work with us?"

Huth: Did he offer you any particular job at the time?

Yedidia: That part, you already know, I showed you that little section of an article that was written in The Reporter.* That's how I got involved. Actually, my job was to participate in the introduction of the health plan into the community. "How do we go about it? What do we do?" A prepaid health plan was a novel idea.

Huth: Did you leave your job at the shipyards?

Yedidia: Yes.

Huth: Did that mean changing location to work someplace else, or were you still at the shipyards?

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*Prescott, Molly: "'Like from Yesterday for Tomorrow:' Reflections of a Health Plan Founder," K-P Reporter, Kaiser Permanente Medical Care Program: Oakland, California, (Nov. 1981):7-8.

Yedidia: No, no, I changed location. Once I left the shipyards, my job did not involve any work there.

Huth: Did you leave Richmond?

Yedidia: Yes, my office was in Oakland.

Huth: Dr. Garfield also had an office in Oakland. Were these at the MacArthur Boulevard facility?

Yedidia: Yes.

Huth: Would that be at what was the old Fabiola Hospital?

Yedidia: No. When the prepaid health plan was first initiated in the Richmond shipyards, about 1942, the new program purchased the Fabiola Hospital. But this facility was inadequate to meet the medical needs of the one hundred thousand workers in the shipyards. A new hospital, which was then called "the Permanente Hospital," was constructed adjoining the Fabiola Hospital, and the old hospital was familiarly referred to as "the Fabiola wing." The new hospital was completed at the war's end, precisely when it was no longer needed to serve the shipyard employees.

Huth: As a point of reference, President Franklin D. Roosevelt died in April 1945, and the European war ended after that, didn't it?

Yedidia: Yes. I was in the shipyards when Roosevelt died; most of our contemporaries remember where they were when he died.

Huth: I remember where I was.

Yedidia: I remember exactly where I was when John Kennedy died, and when Roosevelt died.

Huth: Those are notable events of reference. So it probably was in mid-1945.

Yedidia: Germany surrendered on May 7, 1945.

Huth: When you first went to work for the health plan, what were your duties? Were you a consultant?

Yedidia: No. I worked with the health plan. We didn't have a formal structure yet, we didn't have set rates or benefits. I was hired to participate in the development of the health plan and in the recruitment of members.

Huth: Did you have a staff under you? Did you work with other people on this?

The first Kaiser Foundation Hospital. Oakland, mid 1940s.

The hospital (above) incorporated the most modern design features of the time. Forty-five persons could be accommodated, and in an emergency fifteen to twenty more could be handled.

At left--As it was. This view shows the hospital befc construction was started on April 8, 1942. It was a uni of the old Fabiola Hospital, an institution founded in 1887 and which continued to serve humanity until 1932-- a total of fifty-five years.

Yedidia: I worked with other people.

Huth: Who were some of the people you worked with?

Yedidia: In the early days, I think Frank Jones remained in the shipyards. A little later, he was a health plan representative, but his work was mainly at the shipyards. I worked with Al Brodie. Later on, Frank Jones and a number of other people joined us. Some of them remained, some of them left.*

Huth: Was it in a particular office, or a department in the health plan?

Yedidia: We were all employees of Sidney Garfield--until late that year. Then, I think, the health plan became a trust, and we became employees of the trust. But to begin with, we were all employees of Sid Garfield.

Huth: According to our research, his operation was called Sidney Garfield and Associates.

Yedidia: Well, evidently you know all about it.

Huth: That's supposed to have been what it was called when he was in charge of everything. Do you recall that it was in 1945 that it became a trust?

Yedidia: The charter of the health plan probably was filed sometime in 1946, as a trust. I remember working on it with the law firm, Marin, Thelin, and Johnson.

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They were the outside legal counsel to Kaiser enterprises, and also to the health plan. That's all we had; we didn't have any house counsel.

Huth: So they were not in Kaiser Industries, or associated with that.

Yedidia: No. It's an independent law firm that was, and probably still is, an outside counsel to quite a number of Kaiser enterprises. It was just natural that the health plan use the same firm to do its legal work.

Huth: And in what area was the legal work they had to do for the health plan?

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*Jones interview, Regional Oral History Office.

Yedidia: My first exposure was working on this trust document.

Huth: Did you help to frame it? With what went into it?

Yedidia: The lawyers sought our assistance.

Huth: As to the kinds of things you thought should be in it?

Yedidia: That's right.

Huth: Did the trust document go into the organization--the nonprofit status?

Yedidia: Yes. As I recall, the major issue was that there was nothing in the California Professional Code that resembled what we were doing.

The determination of the lawyers was that we should form a nonprofit trust. The legal status of the health plan remained in doubt for a long time.

Huth: Who doubted it?

Yedidia: Nobody questioned it. There were some people in the state later on, about 1948 and 1949, who felt that there should be legislation to establish the right of such organizations to exist. There was substantial pressure on us to get involved in it.

As I recall, Mr. Kaiser, Sr., asked the governor for advice on this matter. Governor Earl Warren told Mr. Kaiser--I am paraphrasing, of course--"What you're doing, Mr. Kaiser, is not immoral. It's not unethical. It's a good thing. Let's worry about its legality when you have a million members in California." [laughter]

As it happened, though, the legality was established sooner because there was a case over the Complete Service Bureau of San Diego, which we joined as a friend of the court.*

Huth: I didn't know that the health plan was involved in it.

Yedidia: Yes, as amicus curiae [Friend of the Court].

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*Complete Service Bureau vs. San Diego County Medical Society, 43 Cal. 2d 201, 272 P.2d 497 (1954).

Race Relationships--An Early Sense of Equality

[Date of interview: 14 June, 1985]

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Huth: Now, I'd like to ask you about the time period between 1941 and 1945 when you were working in the shipyards. Who was running the shipyards then, and what kind of people worked there? What were your relationships with these people?

Yedidia: My impression is that the people who were in charge of the shipyards, the people Mr. Kaiser brought into the shipyards, were people who had worked with him before. And it was natural that most of the people who were running the shipyards, physically running them, were construction engineers, who were involved in building dams, industrial plants and so on.

As far as the work force was concerned, there was a great revolution then because of the shortage of manpower. They had recruitment going on throughout the country, much of it in the South, and naturally a large number of blacks were hired. As I recall, prior to the war, the black community in the East Bay was quite small. By the end of the war, there were a large number of black people living here.

There were also many whites from all parts of the country. Also, there was a large influx of women into the shipyards work force. All of this, of course, was a by-product of the fact that the able-bodied men were in the military. It is interesting to recall the early forties. A great deal has happened in race and gender relationships since then.

As I recall, on a working level, notwithstanding some strain, people got along well together. For one thing, there was a great deal of identification with what was being done. The ships were important, and the war was important to most people. It was the "good war," at least as books later referred to it. And in the process of trying to get the job done, you worked with the people who were effective.

On the whole, notwithstanding some unhappy incidents, I can recall that the relationships between blacks and whites were good. There were some difficulties now and then with the presence of women, and relationships between men and women. Significant changes from the normal, traditional society prior to that time were taking place.

There was a general acceptance by many of the workers of equality and easy camaraderie. Although, in retrospect, maybe the change in relationships between men and women was not as remarkable as the change in relationships between blacks and whites.

Yedidia: From my perspective, perhaps the most important thing that resulted from that experience was what happened with the health plan after the war. The general feeling among some of my friends in the community, those who were not involved in the health plan, was that it was questionable that blacks and whites would get along together in a postwar medical care situation in the same manner as they did during the war years.

As a matter of fact, some liberal physician friends of mine, who were in private practice, found it necessary in 1945 or 1946, to have two [Oakland] offices, one west of Broadway, and one east of Broadway.

Huth: One for blacks, and one for whites.

Yedidia: In their phrasing, it was not "one for blacks, and one for whites," but they were convinced that if they stayed only west of Broadway, the only patients they would ultimately have were blacks, and east of Broadway, the whites would come. The pertinent issue there is that the Kaiser Permanente Hospital, on MacArthur and Broadway, was right there in the middle.

I'm talking now about physicians in private practice, who were not involved in the health plan, but who were essentially forward-looking people. Their opinion, as expressed to me frequently, was that, "You really are not going to get any place. You have a new idea, a new form of medical care organization, and you have a race problem. One problem alone is enough. Two problems would make it practically impossible for you to break through."

These were theoretical considerations. But the facts of life were that the residue of the shipyard workers who remained in the plan--and I should say that by October of 1945, that residue was something like eleven thousand members--were a mixed population, black and white. They continued their membership in the health plan.

Huth: How healthy were these people? Were they generally in good health, since they came from the South, and from all parts of the country?

Yedidia: Generally speaking, the people who came to the shipyards were not the healthiest, with the exception of those who started there before the war and were exempt from military service because they were in essential jobs. As to the people who came after the war started, many of them were in older age groups. Anybody who could walk was hired.

Yedidia: It would be hard for me to assess what those eleven thousand who remained in the plan after the war were like, but it's very likely that they were not robust and healthy, otherwise medical care wouldn't have been a very important issue. They must have considered it important because they had to voluntarily pay monthly dues out of their pockets every month.

But coming back to the racial issue raised earlier: Whether a biracial program would succeed was a theoretical issue, largely for the people outside Kaiser who were observing a phenomenon. Those of us within the organization were busy making our program work, and the presence of blacks and whites in our membership was a reality.

Nonacceptance of Black Patients by Other Bay Area Hospitals, 1946-1947

Yedidia: After the war, racial tensions in the community increased. Without knowing what the setting was then, it would be very hard for people today to comprehend what really was going on. In 1946, for example, as I recall, there were picket lines protesting racial discrimination around almost every hospital in this area. If you go back to the newspapers of that period, you'll probably find material on it. The blacks, with some white sympathizers, picketed the hospitals because they would not admit blacks, except to private rooms. Well, number one, private rooms were scarce. That was not the style. The style was still large wards. Number two, the few private rooms that were available were expensive; the blacks couldn't afford the price.

It was virtually impossible for many black people to secure hospital care, and that became a very heated issue. But we were different. I'm convinced that the difference was not related to our ideology. Among the people who were in management of the health plan you could find the full spectrum of views on any issue. That was as true then as it is today. We were different because we had learned to care for blacks and whites in the same facilities during the war. Futhermore, we had doctors and facilities, and we needed patients. Also, black physicians who returned from military service needed hospital privileges. They could get them at Kaiser because we had the beds.

Huth: Do you remember about when the first black doctor came? Do you know when that would have been?

Yedidia: I'm not talking now about being on the full-time staff, I'm talking about hospital privileges. The people who were being taken care of in health plan facilities, who had continued their health plan membership after the war, were both black and white. Obviously, under these circumstances they had no problem getting into the hospital.

Yedidia: In addition to that, the black physicians who needed hospital privileges and found it difficult, if not impossible, to get on the staff at the other hospitals, could get on the courtesy staff of Kaiser because we had the beds. As I recall from discussions with physicians within the organization, we also had the necessary structure to protect the organization and the patients against the charge that some of the black doctors on the courtesy staff did not have the proper credentials.

The full-time physicians within the organization assisted in the care of all inpatients, including those who were not members of the health plan. So without getting involved in any of the ideological issues, the facts of life were that we were an integrated oasis in a segregated universe.

Racial Integration Within the Hospital, and the Two-Bed Room

Huth: In that time period, which was early for integration, did you segregate the patients within the hospital?

Yedidia: No. Sometime around 1947, the issue of racial mix surfaced in an interesting way within the organization. The hospital in Oakland had no wards. Essentially, all of the rooms were two-bed rooms, with the exception of a few private rooms that were used largely for cases requiring isolation.

The question came up because of some complaints, whether we should segregate the blacks and whites. Of course, in any discussion like that, those who raised the issue would say, "Oh, we're not prejudiced; we take care of these people. It's the patients who are prejudiced."

I should add that some of the prospective members raised the issue. For example, I recall one day, probably in 1946, when the chief of police of Oakland, along with his top staff, came to visit the hospital to see what we were doing, with the view that maybe some of them would like to join the health plan. I recall that we were standing on a deck next to the surgical suite looking over MacArthur Boulevard. And the police chief said to me, "You know, when we walked through, I saw that you had some Negroes and whites in the same room. I don't think we like that."

As I can recall, I responded, "Do you know this plan started that way, with blacks and whites in the shipyards, and that's the way it goes. They worked together, and they were sick together." He said, "I don't think my men would like it."

Huth: There were probably no blacks in the police department?

Yedidia: Probably not in 1946. I don't think so. I certainly didn't want to engage him in a philosophical debate. As I recall, my response was, "Those who don't like it shouldn't join the plan."

There were other complaints that were interesting. There was, for example, a complaint that during visiting hours, if you had a black and a white in the same room, the blacks usurped the place. It was interesting because evidently there was among blacks a great tradition, which may persist to this day, of visiting the sick, and there were more blacks who visited their sick relatives or friends than whites.

So again the argument by some whites was, "We can't even get in to see our sick wife, or husband, or child, because the blacks take over the whole place." Well, we coped with that problem by saying, "No one patient can have more than two visitors at a time." In any event, with mounting racial tensions in the community, the issue came up from time to time.

I want to recount something else. I was not present when this was discussed. But the story was told to me almost contemporaneously, so it must have been authentic. At one time the issue was discussed with Mr. Henry Kaiser, Sr. I don't want to attribute to him any particular ideological views on this issue, but this is the way the story goes.

He was asked, "Should we really separate our patients? After all, we only have two beds in each place, and so it would be easy to manage it." He scratched his bald head, so I was told, and he said, "You know, if I were a black man, and you were going to put me along with everybody like me on the right side of the hall, and you had gold carpets there, and there was that miserable tile that I told you not to put in on the left side of the hall where the whites were placed, I still wouldn't believe that you treated me equally." I think it was a remarkable statement.

Huth: Yes, yes.

Yedidia: In any event, there was a policy that was established. It was not necessarily related to that statement. But a policy was established for placement of patients when they were admitted, based on the usual medical needs--a set pattern. For example, in the medical ward, since we had a cross corridor arrangement with the nursing station at the cross of the corridors, the policy was to keep the sickest patients closest to the nurses' station because the nurses had to go most frequently to the sickest patients, and respond to them most promptly. Patients who were not so sick were placed on the periphery.

Yedidia: The same thing happened with the post-surgical cases: The closest ones [to the nursing station] would be those who just came out of surgery. So we continued the same policy. We admitted people without reference to color. The policy was, if the person who is brought into a room objects for any reason to the person already in the room, or vice versa, then the person who objects, white or black, is moved.

To the best of my knowledge, that policy persisted throughout. In looking at it retrospectively, it's interesting that the facts of life can overcome prejudices--ideological differences notwithstanding. In a sense, sometimes they can be overcome more readily in actual life, while the same people would remain with the same prejudices intellectually, and in social relationships.

Huth: At that time, was there anything that was happening in the unions, any integration in the unions that maybe would have helped this to happen at Kaiser, too? A lot of these were union contracts that brought these people in.

Integrated Unions at the Richmond Shipyards

Yedidia: The unions that were involved in the Richmond shipyards were all integrated because of the racial mix of the people who were working in the shipyards. Otherwise, as far as I recall, in the Bay Area, the only unions that were integrated by design were the longshoremen and the warehousemen. But, you know, I'm not an expert in this field, and all I can tell you is what I recall.

Generally, the blacks who were in industry at that time certainly did not achieve promotions to the higher job levels. They were still relegated to the usual jobs that blacks had always had. It is a different era now. There has been tremendous change, both in law and in practice, since then. We're talking about forty years ago.

Now, as I said, this was interesting to me--our attitude toward the segregation of patients was just part of our life. Without ideological orientation, without ideological debates and conflicts, we did what we had to do because that's the way we came into being.

Impact on Race Relations Outside Kaiser Permanente Health Plan

Huth: Do you think it made any changes in other hospitals? Do you think any other hospitals followed that?

Yedidia: Well, it's terribly hard to say what brought about changes elsewhere.

Huth: Maybe the public hospitals made changes earlier.

Yedidia: The public hospitals had to change, of course. For example, Highland Hospital [Alameda County hospital] had to take whoever came there. But even there, there were some problems that I recall. How much impact we had on the community is very hard to gauge. But I believe the fact that the Kaiser organization, as the years went by, attracted into its membership more and more segments of the community representing a cross section of the local population, had some impact.

As I think I mentioned in our earlier discussions, some of the earliest new recruits into the health plan were professional people, teachers, and professors. If they could get along with black people, why shouldn't other people? So it must have had a significant impact, but I don't want to claim that we changed the community.

Huth: How about the impact on the waiting rooms? Would that have been a problem?

Yedidia: Not then, and not now. If you go down to Oakland today, as I did in recent years as a patient, there are a large number of blacks there, waiting to register at the pharmacy, and in the waiting rooms, and many whites. I think that, generally speaking, as far as I know, there is no friction on that account.

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Again, since you got me involved in this discussion, I want to repeat: It is not my contention that the health plan was blazing a new trail in civil rights, in human relations and so on. We were doing what we had to do in order to survive, in order to have patients, and in order to live within our work circumstances in as reasonable and humane a fashion as possible.

As far as prejudice is concerned, I'm sure that the prejudices among our people--patients, doctors, staff and so on--were present, as they were elsewhere, and remained that way. But life itself has its own logic.

Huth: A nice bit of philosophy.

Yedidia: Age does that to you.

Opening Up Permanente Health Plan Membership: New Prepayment and Collection Methods

Huth: Now, I'd like to ask you about the nature of your involvement with the health plan, and what changes came about in the plan, especially in enrolling members over the years? That's a very broad, general question, and we may have some more specific questions along the way. I would also like to hear something about the people you worked with.

Yedidia: I think we talked somewhat about that last time, but let me try to answer it in a different way. A major problem when we first started was to attract people to this new "animal," this new form of providing medical care. Essentially, it was a process of dealing with individuals, some of whom were opinion leaders. At the University of California at Berkeley, for example, I think I mentioned to you that we dealt with Professor Samuel May, who was the head of the Bureau of Public Administration.* He was well known in his field, and he was then chairman of an Academic Senate committee on health insurance.

As long as people paid their own way, there was a need to convince each individual that ours was a good plan, and to find a mechanism through which they could pay for it. The preferred method was to have the employer make payroll deductions. Where employers didn't want to make deductions, we found other ways of collecting the dues. At the university, for example, there were health plan collectors in the several departments.

Then there were the naval shipyards. I mentioned to you last time that Al Brodie was involved with the health plan during the war years. Shortly after the war, he embarked on a new project--the enrollment of federal employees. To begin with, he concentrated on the Mare Island Naval Shipyard in Vallejo, and the naval shipyard in Alameda. He worked at developing an enrollment program and a collection system there. As you'll see later, this has special relevance to development of the program.

Huth: Was he no longer an employee of the health plan then? What was his relationship to it?

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*Now the Institute of Governmental Studies, University of California, Berkeley.

Yedidia: It was his department. He developed his own department.

Huth: But was it still under the health plan?

Yedidia: Yes.

Moving From Individual Enrollment to Negotiated Group Memberships and Employer Paid Plans

Yedidia: Early on, the nature of enrollment of federal employees, as elsewhere, was that you dealt with individuals. You had to convince the individual that this was a good plan for him or her, and then develop a mechanism through which the collection of funds could go on on some structured basis.

Outside of federal employment, however, significant changes had taken place at a rapid pace during the early 1950s. When employers, primarily as a result of collective bargaining, began to pay all or part of their employees' health insurance, the role of the health plan changed. Thereafter, you no longer dealt with individuals, but instead with people who were making decisions for others--with union leaders and with employers.

Huth: That changed the nature of your job, then?

Yedidia: It changed the nature of the whole industry. It might be interesting to point out that, up until the early 1950s, health insurance companies didn't deal with unions. They wouldn't insure the union membership. They dealt with employers only.

Once unions and employers started to negotiate medical care plans, the brokers and their agents invaded the field in their efforts to influence union leaders as well as employers. So the major activity as far as recruitment of members was concerned shifted from emphasis on individual education of people who might join a plan, to another level.

I don't know how familiar you are with the whole field, but in those years we were talking about the first party, the second party, and the third party. The first party was the doctor. The second party was the patient, and the insurer became involved as the third party. Medical societies then spoke against third party interference with the doctor/patient relationship.

In effect, in the 1950s a fourth party entered the arena. The fourth party--the employers and/or the unions--decided who the third party was going to be. The second party, being the patient, had less and less impact on the decision because somebody else decided what insurance benefits he was going to have.

Yedidia: So there was this shift: The salesman of health insurance of any kind, who heretofore had to deal with individuals, whether on the job or at home, no longer dealt with individual enrollment. Instead, the salesperson had to deal with people who made decisions on behalf of those individuals. The decision makers were management and/or union leaders. They were frequently assisted by a new kind of professional--a consultant.

Probably the most startling example of the shift from one such structural relationship to another is provided by the case of the federal employees. As I've said, this shift did not come about until 1960, by which time the change in major private sector employer/employee health care programs was well established. Nevertheless, I would like to trace the federal employees' program in some detail because, in my view, it illustrates most dramatically the change of relationship between health insurance plans and their beneficiaries.

As I told you, some time in 1946 Al Brodie assumed the responsibility of concentrating on federal employee enrollment in the health plan. He had a staff working full time. Most of the federal employees came from military installations--shipyards and so on.

VII LOBBYING CONGRESS ON HEALTH BENEFITS OF FEDERAL EMPLOYEES, 1959

Yedidia: Until 1960, there was no change among federal employees with respect to decision making about health care coverage. Each employee decided whether he wanted to join the health plan, or adopt some other coverage (as I recall, Blue Cross was soliciting federal employees), or take out no form of health care insurance. Every month, each covered employee had to pay his dues to the plan of his choice. Suddenly, a tremendous shift had taken place. From the workbench at the shipyard, or a desk in an office where the health plan representative dealt monthly with an employee, either to convince him to join the plan or to collect his monthly dues, negotiation shifted to the halls of the United States Congress.

Huth: So you had to go to Congress--as the negotiating fourth party?

Yedidia: Yes. In 1959 there was a bill in the United States Senate--Senate Bill 94 [the Federal Employees Health Benefits Act]. It concerned the issue: What is the responsibility of the federal government as an employer towards the health benefits of its employees? Even though similar bills in Congress in preceding years had been lost in the legislative process, it seemed that the 1959 bill was going to be enacted.

Huth: Was Kaiser involved in lobbying in those earlier years, before 1959? Were you involved?

Yedidia: I was not involved at all before 1959, but other Kaiser people were. The Kaiser Permanente Health Plan itself had no representation in Washington. Whatever representation was there was done as a courtesy to the health plan by Kaiser Industries, which had an office there. This courtesy was extended mostly to accomodate Mr. Henry Kaiser, Sr., because they knew that the health plan was his baby.

Yedidia: At the time Senate Bill 94 was under consideration in Congress in 1959, here in northern California the health plan had an enrollment of eighteen thousand families of federal employees, comprising approximately fifty thousand people.

By that time in 1959, there was also a significant number of members enrolled in southern California, but the major concentration was here. The health plan was already in Hawaii then, where the largest potential for members was in federal installations, and the second largest in state agencies.

So Senate Bill 94, which was going to decide what was going to happen to federal employees health benefits programs, was of tremendous significance to Kaiser. Incidentally, it was a landmark bill with respect to the whole issue of diversity of plans and plurality of systems in the United States. But now I'd like to discuss only the issue of the change of the locale of decision making because this is where the most startling change took place--from the individual on his job to the halls of Congress.

Testifying on the Federal Employees Health Benefits Act

Yedidia: At the time that we were scheduled to testify on this bill, sometime in April of 1959, I recall that three of us went to Washington: Art Weissman; Arthur Reinhart, who was then health plan manager; and I, as a consultant.

Dim Prospects for Choice of Health Plan Provisions

Yedidia: From all the information that we gathered before the day we were supposed to testify, and subsequently, we were told that we were pursuing a lost cause.

Huth: Why was that?

Yedidia: Let me mention some of the people who told us it was a lost cause. First of all, the people at Kaiser Industries who were very helpful to us, especially Walter Phair.

Huth: Was he in the Washington office?

Yedidia: Yes. The office of Kaiser Industries, working in legislative areas where Kaiser interests were involved, but they were not working for us, nor were they paid by the health plan. They were, however, very helpful. They said that, from their review of the scene, our prospects were very dismal for the following reasons.

One reason was the strong political forces among federal employees, especially in the federal employees' old line unions, such as the letter carriers. They had long-established union plans, and their major interest was to protect their own plans. They would resist anything that would upset their plans.

In the Congressional publication that I gave you, you'll see some testimony by representatives of the various government workers' unions.* Understandably, they wanted to protect the plans that they had instituted and that had existed for decades. It was part of the framework of the union operation.

In addition, the U.S. Bureau of the Budget was concerned with money because involvement by the federal government, by paying any portion of the costs, would require a budget. That issue, as you know, has always been with us. The taxpayer needs to be protected.

There was another phenomenon then--you know, every year begins a new panacea. The panacea then, that started around 1956 and grew, was that the whole theory of health insurance had to be changed. The important thing was to protect people from catastrophe, and this business of paying health care bills of five and ten dollars was nonsense.

They called those plans comprehensive plans. They were comprehensive because after a set level of out-of-pocket expenses was paid for by the patient, the insurance company paid all or a significant portion of the rest. This gospel in industry was espoused by Dr. E.S. Willis; his testimony is also in the Congressional publication.** He was a consultant for employee benefits for General Electric [Company].

He described the plan that they had, in areas where General Electric was the major employer, as one that was effective, economical, and that met the people's needs. The insurance industry and the Blues [Blue Cross and Blue Shield] were the two major national programs that had their eyes on this important business, which was to cover three

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*Senate Committee on Post Office and Civil Service, Health Insurance Program for Federal Employees: Hearings before a Subcommittee on Insurance, on S.94, 86th Cong., 1st session, 1959, 196, 202, 295, 323, 366.

**Senate Committee, 244.

Yedidia: million families. The eighteen thousand families covered by the Kaiser health plan in the Bay Area did not matter so much to the people in Washington who dealt with three million employees.

The Blues probably had pockets of federal employees in every part of the country. I don't know exactly how many; the testimony by Douglas Coleman, who represented the Blue Cross Association, may include some enrollment data.* He was president of Blue Cross of New York--a very thoughtful man.

The Blues were in favor of a choice of plans because they realized that they could not have the total population. The contender, the insurance industry, wanted the entire pie. They were a very potent force because a year or two earlier Congress enacted a group life insurance program for federal employees.

Huth: Would that have been about 1956 or 1957?

Yedidia: That could be--about two or three years earlier. The life insurance is handled by a consortium of insurance companies, including the major insurance companies in the country, and headed by Aetna [Insurance Company]. The insurance industry contended that by using the dividends from the group life insurance for these three million people, Congress could provide a General Electric-type program for federal employees, without additional budgeting requirements. From the standpoint of the Senate committee, the bill was a wonderful solution: Here was a good plan that a major industry in the United States said had been very successful for them, that would provide benefits to the federal employees and did not involve budgetary considerations.

So the assessment of the Kaiser Industries' people was that this was a no-win situation. Interestingly enough, that was the assessment of some of the leadership of the unions, the AFL-CIO. Not the government unions themselves; they, as I said, were interested in protecting their own plans. The major medical program, like the one that the insurance industry was advocating, would not have interfered with their programs at all. They could continue doing what they were doing, and that would have been an addition to it.

Nelson Cruikshank, who was then the director of social security for the AFL-CIO, a very thoughtful man--I think he's still active--and his assistant, Lisbeth Bamberger, had the same assessment. They stated, "In situations like this, you normally hope that the consumer's voice might have some impact in Congress. In this case, the consumer's voice is represented by the government unions, that are not interested."

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*Senate Committee, 106.

Yedidia: The [U.S.] Civil Service Commission was not inclined to push for an increase in budget. They would have been pleased to adopt a program that didn't require new money. As always, they said, "The insurance industry is very potent. They have a lot of friends." So the assessment from sympathetic helpers was very dismal.

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Crucial Role of Oregon's Senator Richard Neuberger

Yedidia: As I mentioned to you before, we were supposed to testify on a Tuesday, I think it might have been on April 23. Noontime came, and the committee adjourned until the following Tuesday. The three of us who had prepared the testimony had the dilemma, "What do we do now? Should we just file the testimony, go home--back to our respective jobs, or stay here?"

I recall we had a long discussion with Walter Phair, and he said, "What would you like me to do for you?" We said, "There's one thing we ought to try." The chairman of the hearings was Senator Richard Neuberger from Oregon. He was a thoughtful man. He knew about the Kaiser program in Oregon. He knew some of the Kaiser doctors. As a matter of fact, one or two of them had been classmates of his at Reed College, if I'm not mistaken.

We said [to Walter Phair], "Is there any chance you can arrange an appointment with the senator?" He said, "That I can do for you."

It happened that this was during a very strenuous period in Congress. A Senate amendment to the labor bill was being debated, over which John Kennedy and several other senators were in a great tangle. The votes evidently were very critical.

In any event, I recall Art Weissman and I, along with Walter Phair, met one late afternoon in Senator Neuberger's chambers. With him was the chief executive of his staff. It was a very interesting encounter.

The senator, who was at that time presumably cured of cancer of the throat that had been discovered a year earlier, said, "You know, the insurance industry makes a very convincing argument." He said, "Take my case, for example. I was out campaigning in Portland, and I made a speech before the chamber of commerce at a luncheon meeting. At the end of that speech, my friend, Dr. so-and-so, who was a college friend of mine, came up to me and said, 'Dick, you don't look so good to me.' And he literally forced me to get into his car and go to his office. He examined me, and he saw a growth in my throat, and

Yedidia: of course, you know, we senators are entitled to a lot of medical care. The expense of my subsequent care was taken care of through my coverage as a senator." So he said to us, "You know, as to the large expenses, much of the care that comes after diagnosis would be covered by a plan such as that of General Electric. It's a convincing argument."

At that point, I recall that Art and I looked at each other, and you know, when two people work together, frequently there's almost a silent language that goes on. We decided to go for it, and one of us said, "Senator, since you used your own case as an example, could we be frank and forget for a moment that you're a senator?"

He said, "By all means. This is a friendly discussion. Say anything you want to say." One of us said, "You know, the chambermaid who is cleaning the hall out there right now doesn't have a friend who is a doctor, who's going to force her to come to his office because she doesn't look good. This is not the way people live. This is not the way federal employees live."

"There are a large number of employees, some of whom have more resources than others, but generally speaking, they are not an affluent group of people, and many of them are not used to getting medical care. For those of us who are in the medical care field, the important thing is to provide health care to people before they get sick--to provide easy access, provide pediatric care for the children, and provide some preventive services that are very important. All of the available health services that are not now being provided to people with modest means can be provided in a setting like ours."

And so the discussion went on. Then the bell rang, and he had to leave to cast his vote. So he said, "Gentlemen, I'm very much interested in this discussion, but as I told you earlier, when the bell rings I have to go because I have to vote. I have to be counted on this one." So we said, "Can we ask you just one question? Can we ask your advice? You know we're working people. We came here, but we didn't get to testify yesterday. Should we wait until next week? Maybe we'll get on then. Or should we just file our testimony?" He said, "If you ask my advice, don't file your testimony. You've got to testify. I advise you to stay. We'll do what we can to get you on."

Well, that was a meeting without a conclusion. We left. We went back to the hotel and had dinner, and wondered, "Where do we go from here?" The following morning we had a telephone call from his executive assistant. He said, "The senator asked me to call you. He would like you to draft a series of questions that we can ask at the hearing, and that will bring out some of the points that you touched on yesterday. He's very much interested." He said, "No more than ten questions, because we won't have that much time."

Yedidia: So we said, "Of course, we'll do it." He said, "When will you have the questions ready?" We said, "When do you want them?" He said, "I'd like to come by tomorrow after work and pick them up." We said, "We'll do it."

We spent many hours drafting the questions. Then the senator's assistant came, a very nice, bright fellow, and we discussed the questions with him. It was a very friendly discussion.

He then gave us the list of witnesses who were to be called the following Tuesday, and asked us where in the sequence we wished to be called on to testify. As far as I know, this discussion with Senator Neuberger turned the tide.

Every once in a while one wonders, how often does a significant individual encounter that happens almost by chance turn the tide of events? For the health plan and for prepaid group practice in general, this turn of events was of critical importance.

Huth: Was it being in the right place at the right time?

Yedidia: Yes. But you can overestimate, not necessarily your own importance, but also the significance of an event that you witnessed. But I really feel that this was a critical encounter with a very remarkable senator. His injection of his personal experience triggered the whole discussion, and an abstract discussion about preventive care would have had little impact. But the clincher was that most people do not live like senators, and therefore you can't gauge the world by your own life experiences. He saw that so clearly, and responded to that in such a humane, logical manner, that I feel that that was an important element in the whole legislative process.

Huth: So what happened?

Yedidia: The bill passed, and the individual employee's right to <u>choice of plans</u> was its centerpiece. To this day, the federal employee group is the single largest group in most of the Kaiser regions. And the same thing applies to some other health plans.

Huth: Did you and Art Weissman testify? Did both of you testify?

Yedidia: Art testified, and I answered some questions. The testimony was prepared primarily by Art and myself. He testified, and, as you'll see in the Congressional testimony, I answered some questions.* Now, the memo by Erickson picks up from there, reporting on subsequent amendments, but it does not deal with this particular incident--the encounter with Senator Neuberger--and there is nobody else around who was there.

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*Senate Committee, 232.

Yedidia: For that reason, our talk was very important. Next time we might touch on the significance of the Federal Employees Health Benefit act, and the whole trend of what's happened since.

Huth: So we're through for this time. Thank you very much.

Yedidia: Yes, okay.

Significance of the Federal Employees Health Benefits Act

##[Date of Interview: 25 June 1985]

Huth: What else can you tell me about the significance of the Federal Employees Health Benefits Act, and the opportunities and obstacles in relation to it?

Yedidia: Well, the significance of the act, both for the Kaiser organization, and for the voluntary health insurance movement in the United States, was the fact that this was the first time that Congress acknowledged the need to encourage different methods of financing and organizing medical care in the United States. It was the first time Congress had acted to legitimize the existence of health service programs such as Kaiser's, and other prepaid group practice medical programs.

It's interesting that the year 1959, in a sense, was a landmark year because in that same year a Commission on Medical Care Plans, which had been appointed by the Trustees of the American Medical Association in 1954, released its report stating that group practice prepaid plans provide good medical care.* They reaffirmed their position on free choice of doctor, but also approved a choice of system. The report is referred to in the literature as the Larson Commission Report.

As I said earlier, the federal employees enrolled in the health plan in northern California constituted the health plan's largest single membership group. We had some eighteen thousand families in our health plan, comprising some fifty thousand people. Kaiser was already developing the plan in Hawaii, and there the largest employee component was comprised of civilians working for the federal government, and the second largest component worked for the state.

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*"Report of the Commission on Medical Care Plans, Findings, Conclusions and Recommendations," The Journal of the American Medical Association, Sp. Ed. 17 January 1959.

Yedidia: It's interesting also that during the subsequent year or two (1960-1961), similar laws were enacted in several states. The California Public Employees Health Benefit Program was passed in 1961. It's now the largest consumer group in California, with some 600,000 people in it, and approximately half of that group is covered by Kaiser in northern and southern California.

Federal and state employees comprise a large proportion of the membership in Hawaii, and also in other regions. Group practice prepayment plans throughout the country gained through this legislation. I should add that, after the initial hearings in the Senate, other people, both in Kaiser and in other plans, were involved in the legislative process.

Bob Erickson was the primary Kaiser person who worked on implementation of the program. Gibson Kingren, at that time, became a full-time representative of Kaiser in Washington, and remained there until retirement. People from other Kaiser regions, including Mr. Jim Vohs, who was then health plan manager in southern California, were actively involved in implementing the federal employee's program.

Huth: Did he go to Washington also?

Yedidia: I think the memo that I gave you last time, written by Mr. Erickson, includes his name as one of the people who went. I believe it was in connection with hearings before the House committee.

Huth: He must have been fairly young at that time.

Yedidia: We were all young once. [laughs] I really don't know how old Jim is. I never figured it out. I might tell you what my wife told me recently. In speaking about a friend and a colleague, she asked, "How old is he?" and I said, "Oh, he must be in his forties." She asked, "How many years have you worked with him?" My response was, since the early fifties. She said, "He must have started to work at the age of ten," and added that I seemed to forget that "Every year you grow older, he, too, grows older." I think I've known Jim since 1953, so he must be at least thirty-three years old. [laughs]

I might also add, though it's unrelated and of no great significance, that 1959 was the year when I resigned from Kaiser as an employee--in November, 1959, although I remained active in the field. Other people, all of whom made major contributions, became more and more involved.

Huth: Do you want to tell me who they were, in addition to Bob Erickson?

Yedidia: I already mentioned some of them. Scott Fleming was, at that time, the general counsel of the organization. Bob Erickson essentially worked with him, as did Gibson Kingren. Of course, Art Weissman was there as director of medical economics. The job titles changed over the years, but that's essentially it.

VIII SIGNIFICANT EVENTS IN THE MOVE TOWARDS NEGOTIATED PREPAID GROUP PLANS, 1950-1985

Huth: I'd like to ask you now if you can cite any other examples where, because of major outside pressures, the enrollment in the Kaiser Permanente Health Plan, or other plans, moved away from a direct relationship between the plan and the consumer, or between the plan and the group members' immediate representatives, such as the union representative, or the personnel managers.

Yedidia: Yes, as a matter of fact, I think it would be important to cite a few other instances.

East Bay Workers Choose Kaiser Over Other Mandated Health Plans

The Milk Wagon Drivers Union

Yedidia: For example, as early as 1946 we had a group belonging to the health plan who were members of the Milk Wagon Drivers Union. The two officials of the Milk Wagon Drivers at the time were Jeffrey Cohelan, who was the secretary of the union, and Albert Brown, who was its business manager.

They were friends of the Permanente Health Plan from the very beginning, and a large number of their members joined the plan. The union collected the dues and transmitted them, on a monthly basis, to the plan.

Huth: Was the official name of the union--the Milk Wagon Drivers Union?

Yedidia: I think so. So at the end of the 1940s, in the early 1950s, the Teamsters, an international union, got heavily involved in negotiating health and welfare plans. It seems that there was an edict from the international headquarters of the Teamsters Union that any local union negotiating for a health and welfare plan had to use the services of an insurance consultant out of Chicago.

Mr. Cohelan and Mr. Brown, as well as the local employers, refrained from negotiating any program, as I recall, largely because they did not want to leave the health plan. But as the years went by, they, like other unions and management, had to do something about involving the employer in paying in part or in whole for the cost of health care.

About 1953, somewhere in the negotiations, the employers agreed to pay for the health insurance of employees and their families, and since the members at that time belonged to either Kaiser or Blue Cross, those were the two programs for which the employers were going to pay.

When it became public that this union did not follow the instructions of the national union, Mr. Beck, who was at that time the president of the Teamsters Union, delegated one of his lieutenants to come to Oakland and take the union into receivership.

Both Mr. Cohelan and Mr. Brown were prominent in the East Bay community. Mr. Cohelan was then a member of the Berkeley City Council, and Mr. Brown was president of the Alameda County Labor Council. Notwithstanding their prominent positions, it was feared that Mr. Beck would prevail.

I recall a very interesting incident that happened at that time. This was a period when I worked for Mr. Henry Kaiser, Sr., a large part of my time because of his involvement in building the Walnut Creek hospital. I recall an evening at his home in Lafayette after a meeting with physicians in Walnut Creek. I used the situation to tell Mr. Kaiser about this problem with Mr. Beck.

He said, "Well, that's very interesting and not surprising, but why are you telling me about it?" I said, "Mr. Kaiser, about a month or so ago, when the Kaiser hospital on Sunset Boulevard in Los Angeles was dedicated, you entertained a group of business and labor leaders, and took them on a tour through the hospital. One of your guests was Mr. Beck. The newspaper account said that Mr. Beck had some very laudatory comments about your humanitarian efforts, as manifested by the building of the hospital."

I asked, "How would you like to send Mr. Beck a telegram congratulating him for his great leadership, as evidenced by the fact that one of the local unions in this area followed his leadership and joined in your great humanitarian efforts by recognizing the

Yedidia: value of coverage for their members by the Kaiser Permanente Health Plan?" Mr. Kaiser looked at me and said, "You know, you're a very naive young man. That wouldn't have any impact on Mr. Beck."

I said, "What would?" He said, "If I were younger, I would go to see him, and remind him that at some point during the war--it must have been in the early 1940s--I sat with him and other labor leaders in a hotel room in Denver. I told one of them that unless he learned to restrain his greed, to take just a little and leave a lot on the table, he would end up in jail. As a matter of fact, that man is in jail."

Mr. Kaiser continued, "Now, I would tell Mr. Beck the same thing. 'If you don't learn to restrain yourself, you'll be in jail.'" Of course, those were prophetic remarks, because Mr. Beck did end up in jail.

Huth: Was he jailed because of something having to do with his union presidency?

Yedidia: It had to do, I believe, with the management of pension and welfare funds. He served several years in jail. Well, after that exchange with Mr. Kaiser, I refrained from saying anything the rest of the evening. Mr. Kaiser, who was a genial host, turned to me later in the evening and said, "You seem somewhat subdued." He said, "I'll tell you what. Why don't you and Sidney (Dr. Garfield was present at the time) draft a telegram, and I'll sign it. Maybe it will do a little good."

The union was not taken into receivership. I don't know how much influence Mr. Kaiser's telegram had in this matter because, as I said, both Mr. Cohelan and Mr. Brown were prominent here. Maybe the notion of the national union punishing them was not too attractive. Mr. Cohelan subsequently was elected to Congress, and served some six terms.

This is another illustration of how the involvement of big interests unrelated to health care interfered with the emerging orderly process of a developing local health service program.

I think there are several other examples that are worth mentioning because they had a significant impact on the development of the Kaiser program, as well as other plans in the country. I'll confine myself to two, the autoworkers and the steelworkers.

Ford Autoworkers in Richmond

Yedidia: The Ford plant in the 1940s was in Richmond, California, adjacent to the shipyards.

Huth: Were they called the Kaiser Shipyards?

Yedidia: Yes, the Kaiser Shipyards. Shortly after the end of the war, when the health plan was opened to the community, a large group of autoworkers, including supervisory personnel of the Ford plant, joined the Kaiser Permanente Health Plan. As a matter of fact, the superintendent of the plant and the personnel manager became health plan members.

Huth: That must have been quite an incentive for employees to join.

Yedidia: In this case I am not sure who influenced whom. We were a local institution. Our hospital was there. Our doctors were there. And the Ford employees who worked and lived in Richmond knew us, and they joined the plan.

Several years later, the automobile workers and their employers in Detroit negotiated a nationwide program for all autoworkers. That plan did not make any provisions for any local programs. It was a nationwide Blue Cross/Blue Shield plan.

This was a particularly interesting as well as disappointing turn of events because the relationship between the Kaisers and Walter Reuther, who was president of the autoworkers, was always quite close, particularly between Mr. Edgar Kaiser and Mr. Reuther.

We talked to some of the professionals in Detroit who worked for the national union and were involved in the early development of employee health benefits. They acknowledged the value of our plan, but made the statement that they were negotiating on behalf of millions of people, and they could not accommodate the seven or eight hundred families that belonged to the health plan in Richmond, California.

Meanwhile, a large majority of the Ford employees who belonged to the health plan continued their membership in the health plan, as did the personnel manager, and if I'm not mistaken, the plant manager.

Huth: As individual members, but not as group members?

Yedidia: No. As a group, and they continued to pay for it themselves, even though they had another program for which the employer paid a significant proportion. It was not until 1953 that the automobile companies' contracts with the union included a provision that, wherever plans like the Kaiser Permanente Health Plan existed,

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Yedidia: they would pay toward the cost of that plan the same amount that they contributed to the national plan. As I was told, the circumstances of arriving at this formulation were interesting. It seems that, after negotiating for many hours without sleep, the negotiators agreed on all other points, and that this was one of the remaining issues on the table. The employers finally agreed in principle to permit choice of plan.

Huth: Do you know what changed their minds?

Yedidia: Pressure. But they needed language for it, and in the absence of the formulation as to what kind of plan they were talking about, they ended up with the statement, "Wherever a Kaiser-like program exists--"

Huth: Were you involved in any of that?

Yedidia: No, we were not involved. We were involved only indirectly through our members, but we were not sitting in on negotiations.

Steelworkers in South San Francisco and Pittsburg

Yedidia: Another example that I'd like to relate has several other implications. It goes back to 1947, to steelworkers in South San Francisco--employees of Bethlehem Steel. They were looking for a health plan, and as a result of a variety of circumstances that are interesting historically but not relevant to the immediate discussion, they chose the Kaiser Foundation Health Plan, which was then called the Permanente Health Plan.

At that time we had hospitals in Oakland, in Richmond, and in Vallejo, but nothing in San Francisco, and South San Francisco was a long way off. We didn't have any freeways then, and it took a long time to drive from Oakland to South San Francisco along Potrero Avenue. It was like a full-day's outing.

After many meetings, and a lot of soul-searching, we told the committee of the steelworkers union that, if they enrolled a thousand families in the plan, and secured payroll deductions from their employer, we would establish a one-doctor clinic in South San Francisco. And that for any diagnostic work-up for referrals to specialists, and for hospitalization, they would have to come to Oakland.

Huth: Was there to be transportation provided to Oakland?

Yedidia: No. Only for emergencies requiring an ambulance. The enthusiasm of the committee prevailed, and they enrolled a thousand families. At this point, the management said, "We agreed to make payroll deductions for a plan, but not for the Kaiser Permanente Health Plan." Under the rules of the game, the matter went to arbitration. Some eight months later the union received the arbitration award stating that, since payroll deductions for a health plan was an existing benefit, the employer [Bethlehem Steel Corporation] was obliged to make deductions for a plan that a major segment of the employees desired. The award also noted that the employer's views about that plan were irrelevant.

Huth: Did you have anything to do with any of these negotiations?

Yedidia: I worked with that committee. Yes, definitely. I was very much involved in it. Now, interestingly enough, having settled that issue locally, several years later we had the same problem with the steel industry that we had had with the automobile industry. Our plan was established locally, and then the steelworkers in Pittsburg, Pennsylvania, negotiated a nationwide program that did not make provisions for local plans such as Kaiser's.

In this case, however, the process was a little different. During the national negotiations, we had a telephone call from one of the professionals working for the steelworkers union in Pittsburg.

Huth: When you say "professionals working with the steelworkers union," what kind of position did they hold?

Yedidia: They were not elected union representatives. The large unions retained lawyers and other professionals to assist the elected officials in matters such as pensions and health.

Huth: Were they outside contractors?

Yedidia: No, no. In most instances, they were full-time staff.

Huth: Then you meant by "professionals" that they were lawyers, economists, or someone who was in one of the professions.

Yedidia: Yes, that's right. And in this instance, as I recall, John Tomayko was the national director of health and pension benefits for the union. He introduced himself, and said that he was calling on behalf of Phillip Murray, who was the president of the steelworkers union. Then he said, "This thing is holding up the whole collective bargaining agreement." He added that they could assure us that, once the contract was signed, they would try to make any accommodation possible to preserve the rights of the people who belonged to the health plan.

Huth: So what happened?

Yedidia: Well, the best accommodation that was achieved then, and lasted for quite a number of years, was that the Kaiser Health Plan became supplementary to the national plan. In other words, it filled in the gaps in the national plan. The workers had to pay for the supplement themselves, but the company continued to make payroll deductions for it. It wasn't a completely satisfactory arrangement, but it lasted for a number of years.

Subsequently, when we opened the Walnut Creek hospital in 1953, workers at U.S. Steel Corporation in Pittsburg, California, adopted the same supplementary program. As I recall, it was not until the early 1960s that dual choice was instituted in the steel industry.

So you see that as the years went by, instead of concentrating only on developing a community program with local people, we had to also worry about what happened outside our immediate community.

Huth: Did you work more then with the impact of what was happening outside than with the local matters, after that began to happen?

Yedidia: We had a rather small staff, probably until almost 1953 or 1954. Those of us who were there did everything. I related to you events in which I was intimately involved.

Incidentally, getting back for a moment to the steelworkers--there is a book on collective bargaining by Joseph Garbarino at U.C., in the School of Business Administration.* It has a very interesting chapter on the steelworkers at Columbia Steel, in Pittsburg, California, in which he unfolds the whole story about Kaiser and the steelworkers.

Huth: Columbia Steel was another steel company?

Yedidia: No. Columbia is the name of the United States Steel Corporation's plant in Pittsburg, California.

Huth: Did the book go into the health plan?

Yedidia: It described in detail the process of introducing the Kaiser health plan and the debate between the steelworkers and the local physicians. I believe that this book is an important reference.

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*Garbarino, J.W.: Health Plans and Collective Bargaining, Berkeley: University of California Press, 1960.

City and County of San Francisco Employees

Huth: Now, I would like to ask you about the Kaiser health plan and the employees of the City and County of San Francisco. What can you tell me about that?

Yedidia: As to the City of San Francisco--and again, here, should people be interested in researching it--a large part of what I'm going to tell you was played out in the San Francisco newspapers in 1948 and 1949, I believe. Pursuant to a charter amendment passed in 1936 by the City and County of San Francisco, its employees, as a condition of employment, had to belong to a health program established by the city.

The program was named the Health Service System of San Francisco. It was similar to a Blue Cross/Blue Shield plan, but administered by the city. Any doctor in San Francisco who signed a form saying he would accept the payment amount set by the system as full payment could belong to it. Practically all physicians in San Francisco more or less considered it a community service to provide care to the city employees at reasonable rates.

Under the provisions of the charter, the employees elected members of the board administering this program. And some city officials, by virtue of their position, were on that board as well. Under the charter, the retirement board had to approve certain decisions made by the Health Service System board.

Sometime around late 1947 or 1948, the medical director of the Health Service System of San Francisco sent a letter to all physicians participating in the program--essentially all of the physicians in San Francisco at the time--appealing to them to be prudent in requesting x-ray and laboratory services because the plan was running into serious financial difficulty.

The physicians, under the leadership of the local medical society, took exception to the letter. Even though the letter was sent out by a physician, they said, "This is what happens with lay dominance of the practice of medicine. They're interfering with our judgment." There was considerable debate and acrimony, all of which was in the newspapers, and a thousand physicians, as I recall, signed a statement withdrawing from the system. In resigning, they told their patients, "You can come to us as private patients, but we're not going to deal with the San Francisco system."

At that point, the employee organizations--the Association of City Employees, and the various city employees' unions, organized a committee named The Committee to Save the Health Service System. Sometime during early 1948, this committee got in touch with us, and asked whether we could become an alternative program within the system.

Yedidia: After many meetings, most of them public, the Health Service System board adopted our plan as an alternative to the existing program.

Huth: Were there any problems because yours was a prepaid plan and theirs paid the doctors after service?

Yedidia: This was one of the lesser problems. Once the health service board adopted our plan as an alternative, under the provisions of the city charter it had to submit its decision to the retirement system for approval. The retirement system held public hearings on this matter in the chambers of the board of supervisors. After the conclusion of the hearings, the retirement board disapproved of the action of the Health Service System board.

Huth: Was this decision based on what they heard at the hearings?

Yedidia: Yes. The medical society, individual physicians, and others, strongly opposed the introduction of our plan to San Francisco.

Huth: Did the testimony of the medical society overshadow the testimony from the employees who wanted to do this?

Yedidia: Yes. I recall one physician who made the statement that, "If you admit this plan into San Francisco, you're going to introduce a Weinstein's kind of medicine in San Francisco." The reference to "Weinstein's" was to Weinstein's Department Store. a relatively low cost store which was located at Tenth and Market Street. It must have also had some anti-Semitic connotations, too. You must remember that we're talking about 1948.

Then the Health Service System board sued the retirement system board, saying that it had exceeded its authority under the charter. The matter went to a superior court judge, who issued an opinion in favor of the Health Services System board, at which time the Kaiser Permanente Health Plan was introduced to the City and County of San Francisco. That, I believe, was in 1948.

Today, I think probably close to half of San Francisco's city employees and dependents belong to the Kaiser Foundation Health Plan.

Huth: Would you say that about one-half joined at that time, too?

Yedidia: No, the first enrollment must have been about a thousand families. Out of approximately twelve thousand employees, a thousand families joined. That was a significant group at that time. It helped us to establish a following in San Francisco.

Huth: Where did you have your health facilities at that time?

Yedidia: At that time we had a rented building at 515 Market Street. Shortly after the city and county employees joined, we also purchased a small hospital in San Francisco. We purchased it because we couldn't get hospital privileges for our doctors in any San Francisco hospital.

Huth: Was there any particular reason why you couldn't get hospital privileges and use other hospitals? That was done in Los Angeles.

Yedidia: One of the major obstacles that programs such as ours faced at that time was the unavailability of hospital privileges for their physicians. This remained a national problem for years to come. One of the most effective tools for stifling the growth of group practice prepayment plans was to withhold hospital privileges from physicians associated with them. Exploration of this aspect of the history of Kaiser and similar programs could best be pursued with others in the oral history project. For purposes of our discussion, however, let me say that even a decade later, when Kaiser's Hayward hospital was planned, there was an almost new hospital right across the street from where the Kaiser hospital is now located, that had been built with Hill-Burton Act funds. It was 80 percent empty, and we couldn't get hospital privileges there, so we built another hospital.

Huth: But wasn't that one reason that Kaiser had to organize its own medical facilities?

Yedidia: Yes.

Enrolling the Longshoremen on the Pacific Coast--With the Dual Choice Option

Huth: Now, I want to ask you which group was the largest that joined the health plan as a result of negotiations between labor and management.

Yedidia: The largest group was that of the longshoremen in 1950. The longshoremen and the Pacific Maritime Association (ILWU-PMA) chose our plan. In the Bay Area, there must have been between six and seven thousand families then in this group. And in Portland, Oregon, this group had some three thousand families. In addition, we agreed to organize a program in the San Pedro area of Los Angeles, where there were some three thousand ILWU-PMA families.

We also agreed to help the ILWU-PMA make similar arrangements with the Group Health Cooperative of Puget Sound in Seattle, to provide medical care to longshoremen there.

Huth: Was all of that in one contract?

Yedidia: As for Seattle, our role was confined to bringing the parties together. Our contract was a three-year contract covering the Portland area, the San Francisco Bay Area, and Los Angeles. Until the expiration of this contract in 1953, we covered all ILWU-PMA employees and their dependents in those ports. When we negotiated a new contract in 1953, we persuaded the trustees of the ILWU-PMA fund to offer their employees and dependents dual choice.

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Huth: What was the dual choice? What was the second choice?

Yedidia: The alternative choice was an insurance program.

Huth: Why did you work for dual choice? Why did you think that was necessary when you already had an exclusive contract?

Yedidia: By that time, we already were committed to a dual choice policy in all instances. We thought that because dual choice was a good thing in places where we were the outsiders trying to get in, it should also be good in those places where we were the insiders. If the principle was right, it should be applied evenly across the board.

I recall having an argument on the subject with Mr. Harry Bridges, who was then president of the International Longshoremen's and Warehousemen's Union. He said, "Why do you want it?" I used all the moral persuasion. Then, when we concluded our discussion, he said, "I'll tell you why you want dual choice. At the present time, we are the largest single group of subscribers to your plan. Consequently we have a lot of negotiating power. Presumably, if we have a choice, you can always argue, 'Look, the people who belong to our plan belong to it because they want it.' So we can't threaten you with withdrawing the whole group. Those who don't like our plan can withdraw at any time." I said, "Well, I hadn't thought of that, but it's a good argument." [laughs]

Going to Work as an Outside Consultant, Late 1959

Huth: Now, I'd like to ask you what you did for Kaiser after you became a consultant and you were no longer a Kaiser employee.

Yedidia: As I recall, I resigned from Kaiser as an employee as of November 1, 1959. When I was asked by the Kaiser people, "What are you going to do now?" I said, "I'm going to be a consultant." My colleagues decided that if I was going to consult with others, I should consult with them, too. We entered into a one-year contract that lasted some twenty-three years, until I reached age seventy in 1981. Initially, my contract was with the northern California region.

Consulting With the Health Plan in Hawaii

Yedidia: As I recall, during the Christmas season of 1959, about two months after I had resigned, I received a note from Mr. Henry Kaiser, Sr., who by that time lived in Hawaii. He wrote, "I understand that I can no longer tell you what to do, but I can ask you if you would come to visit me early in January?" So I did, and my first consulting job outside of Kaiser in northern California was with the Kaiser health plan in Hawaii. I commuted to Hawaii for about two years; I spent two weeks out of every month there. The Hawaii story is interesting, and I'm sure you heard about it from other people.

Huth: I don't think we've heard very much.

Yedidia: Did you interview Dr. Keene?

Huth: I didn't, no.

Yedidia: Whoever interviewed him recorded Dr. Keene's account of this story. I will confine myself to giving you my file of clippings describing the story as it unfolded.

Huth: I'd like to have those. Can you tell me, briefly, as a consultant, what kinds of things you were asked to consult about in Hawaii? Why did Henry Kaiser call and ask you to come over?

Yedidia: When Mr. Kaiser decided to move to Hawaii, sometime around 1956, I recall that in the presence of a few people, including Dr. Garfield and myself, he said, "When I go to Hawaii, I'm going to start a plan the way it should be done, not the way you people screw it up. And I don't want any help from anybody. I'm going to do it myself."

He did build a modern hospital at the yacht harbor on the island of Oahu. The hospital opened in November of 1958. By the end of 1959, the program was plagued with problems. At that time, the help of a number of people was sought: Dr. Saward, from Portland, was involved in medical group affairs, and I was asked to assist with health plan and membership problems. Dr. Keene was involved as the executive officer of both the health plan and hospitals.

Huth: Why did it get into the newspapers so that you have these clippings? What was there about it that caused it to be newsworthy?

Yedidia: Initially, Mr. Kaiser recruited five physicians who were to organize a medical group. The five recruited were among prominent physicians in Hawaii, including an ex-president of the state medical society, a Chinese surgeon, a Japanese internist, an orthopedic surgeon, and a pediatrician. On the surface, all looked most promising: The physicians were of good reputation, they represented the right mix racially, professionally, and politically--but the arrangement was wrong. It didn't work.

Huth: Do you mean the way it was organized?

Yedidia: That's right. When it became clear that the relationship between the health plan and these five physicians had to be terminated, the events that followed were newsworthy. This was a dispute between Mr. Henry Kaiser, Sr., a newcomer to the Hawaiian Islands, who had gained popular support as a forward-looking industrialist who generated new jobs by building a huge new hotel, a cement plant, and a not-for-profit modern hospital on the one side, and opposing him, five physicians who had gained prominence before Mr. Kaiser settled in Hawaii. This would have been big news in any community the size of Oahu. Furthermore, by the time the dispute became public, in July or August of 1960, the health plan had over thirty-six thousand members. As I already said, I'll give my newspaper clipping file as my contribution to this story.

Huth: Now, what can you tell me about Cleveland?

Yedidia: My involvement with the Cleveland program began in mid-1961. This project was not related to my work with Kaiser. The Community Health Foundation of Cleveland did not merge with Kaiser until 1969. I was one of three consultants who participated in planning and implementing that program. Inasmuch as my work there was not on behalf of Kaiser, this monograph I wrote describing the development of the Community Health Foundation of Cleveland will suffice for purposes of this history.* [Gives interviewer a copy of his monograph] I would rather use our time in discussing the Medicare legislation.

Work on Federal Medicare Legislation

Huth: Let's move on now to what you can tell me about Medicare.

Yedidia: Medicare was going through the legislative process, and it seemed that Congress would pass this landmark legislation. There was no provision in the draft legislation for the inclusion of any system of payment other than fee-for-service. Efforts of the Kaiser people (by that time we already had a Washington office) to include language which would permit payments other than for fee-for-service remained fruitless.

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*Yedidia, A.: Planning and Implementation of the Community Health Foundation of Cleveland, Ohio. Studies in Medical Care Administration: U.S. Department of Health, Education, and Welfare. Public Health Service Publication No. 1664-3. (Washington, D.C.:GPO, 1968).

Yedidia: I worked with a number of people in the Kaiser Central Office in Oakland on this legislation. As I recall, Art Weissman, Scott Fleming, and Bob Erickson were those primarily involved in this effort.

Wilbur Cohen, who was then Secretary of the federal Department of Health, Education, and Welfare, was very friendly to our program, and a personal friend of some of us. Because of the fact that Wilbur Cohen and I, over the years, had had a friendly relationship, I also went to Washington several times in connection with this legislation.

I recall clearly that during one of our discussions Cohen said, "Look, you know that I belong to the Group Health Association in Washington, D.C., and that I am a great promoter of prepaid group practice. But this is not the time to worry about this issue. We're worried about medical care for all of the elderly in the United States. There are twenty million people involved. You have to trust me. The nature of the legislative process is such that, when you change one word you can derail the whole effort."

It seemed that we had a hopeless task. Some of the people here at home, especially Art Weissman, Scott Fleming, and I, were very much concerned about the fee-for-service method of payment under Medicare, particularly as it related to physicians. The two key operations people--Mr. Karl Steil was the regional manager of the Kaiser Permanente program in northern California, and Mr. James Vohs was then regional manager of the program in southern California--were interested, but they really didn't feel it was of crucial importance. "After all," they said, "the number of people we have who are sixty-five and over represents only four percent of the total membership."

Some of us who were concerned tried to point out that the proportionate cost of health care for that segment of the population would be much higher. If the payments for physician services were on a fee-for-service basis, it would be virtually impossible to retain this revenue as program income rather than the exclusive income of the physicians. Such a development would alter the nature of the health plan's relationship with the medical group, and would create a serious flaw in the structure of the organization. It seemed, however, that our efforts to amend the legislation were doomed to failure.

Then something rather interesting happened. It seems that Mr. Edgar Kaiser was at a White House dinner party for industrialists. As the story is told, during the course of the evening, the president, Mr. Lyndon Johnson, said, "Mr. Kaiser, how are my boys treating you?" Mr. Kaiser said, "Oh, we get along very well." Then he added, "Come to think of it, our people in the health plan seem to have some misunderstanding with Wilbur Cohen."

Yedidia: I don't know how detailed Mr. Kaiser's knowledge of the problem was, but he must have known something about it because he was interested both in the health plan and Medicare. When he made that statement to the president, the president turned to the closest one of his "boys," meaning his cabinet members, who happened to be Nicholas Katzenbach, who was attorney general at the time.

He said, "Nick, I understand that Mr. Kaiser's boys have some problems with Wilbur. Would you see whether you can straighten it out?" The "straightening out" came in the form of a meeting of interested parties called by Mr. Cohen for Washington's birthday, so the phones wouldn't be ringing and they could give time without interference to a discussion of our problems.

In addition to ourselves, representatives of several other concerned organizations, such as HIP and the Group Health Association of America, attended the meeting. Bob Ball, who was then commissioner of Social Security, and several other administration officials were also present.

After a review by the secretary of all his objections to introducing any changes in the proposed legislation, he reluctantly agreed to amend Part B of Medicare with respect to payments for physicians' services. In effect, this amendment facilitated a capitation payment to the health plan and to similar plans. Thus, the Social Security Administration pays the health plan a monthly capitation fee for physicians' services for Medicare members who wish to remain in the plan. The members pay the plan a monthly fee to cover the deductible and co-insurance of Medicare, and plan benefits that are not covered by Medicare.

As I think back over the history of the health plan, I am fascinated by the fact that an unplanned casual exchange between President Johnson and Mr. Kaiser had significant, and in my view, far-reaching effects on the development of the plan.

Huth: Now, moving on to another question--I know that you have had other consulting jobs, and that you have also consulted for Kaiser when they went outside to other areas. Did you have anything to do with the Kaiser international program that went into Argentina, Brazil, Ghana, and Saudi Arabia?

Yedidia: No.

Consulting at Yale University and Yale-New Haven Hospital

Huth: In connection with your outside consulting, will you tell me something about your consulting that concerned the U.S. Office of Economic Opportunity and Yale University?

Yedidia: Between 1965 and 1970, on almost a continuous basis, I did a number of projects at Yale School of Medicine, Yale-New Haven Hospital, and Yale University. I was asked by the president and the chancellor to redesign the student health service, and in doing so to also develop a program that would be available to what they called the "Yale family." This was to cover not only the undergraduates who were covered automatically by the Yale University student health service, but also graduate students, faculty, employees, and dependents. I designed a program for them that was implemented around 1969 or 1970.

At the beginning of 1965, I was asked by the medical school and the hospital to be part of a committee that was studying the probable impact of Titles 18 and 19 (that's the Medicare and Medicaid legislation) on the economy of the hospital and on the teaching program at the medical school.

The committee was composed of the director of the hospital, the dean of the medical school, and the chiefs of the major departments. When I asked what purpose would be served by adding me to all those tigers, the answer was, "We need an outsider's point of view, that of a non-tiger." The least I could say about this project is that is was intellectually most stimulating. During that period I visited New Haven about six to eight times a year.

Huth: Commuting from here?

Yedidia: Oh, yes. I would spend close to a week there each time I went. During that period, I was also appointed lecturer in the Department of Epidemiology and Public Health, where I delivered one lecture every semester.

During the same period, in 1965, the Office of Economic Opportunity in Washington asked me to draft recommendations with respect to the role which the anti-poverty program could assume in the field of health. In order to retain my independence from the federal bureaucracy, I proposed that the Office of Economic Opportunity contract for the job with Yale-New Haven Hospital, and that I would perform the task as a subcontractor.

Huth: Why was that important?

Yedidia: Well, I wanted to have an arm's length relationship with the Washington office so that I would be free to express my views and make my recommendations as an "outsider."

That was a very interesting project. In some ways I think that it was the most disturbing professional job I ever had. We all know about poverty. We all read about poverty. We think we have enough empathy with the problems that poor people have. But the stark look at poverty and all of its manifestations gives one a totally different perception of its dimensions.

For your archives, I'll give you a copy of the report and some of the material associated with it.* It's my understanding that, based on this report, the first $58 million for the the country's neighborhood health centers was appropriated by Congress. What I recommended and what was implemented were not necessarily the same thing, but that's the nature of life.

My involvement at Yale, as I said, included other elements which dealt with both the economics of the teaching hospital and its impact on teaching, patient care, and research. This subject remained of lasting interest to me.

Huth: Do you ever go back there now?

Yedidia: I haven't been back there since 1970.

Huth: There are new people, but did you continue to follow up on the program that you proposed?

Yedidia: Yes. The student health service and the Yale-New Haven Health Plan are functioning very well. As a matter of fact, I have had a close association with the executive director of the program for many years.

Huth: Is there anything else you want to tell me about Yale University or the federal programs?

Yedidia: Only that it was a very interesting experience.

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*A Proposal for Organization of Neighborhood Health Centers. Office of Economic Opportunity Contract No. 513, September 27, 1965.

Kaiser Health Plan's Interest in Neighborhood Health Centers

Huth: Do you know anything about how Kaiser set up and worked with some of the neighborhood health centers?

Yedidia: When I finished my report for the Office of Economic Opportunity, I introduced Dr. Saward, the then medical director of Kaiser in Portland, to Lisbeth Bamberger of the Office of Economic Opportunity. They proceeded to develop a program in Portland.

Huth: And were there any others that you knew of?

Yedidia: Subsequently, there were programs developed in Hawaii and in Los Angeles. The Hawaiian one, in proportion to the health plan membership in the Hawaii region, was of substantial size.

Huth: Was the Hawaiian one the larger of these two?

Yedidia: Yes.

Work With the California Canning Industry, 1966 to the Present

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Huth: What can you tell me about your work with the cannery workers in California? What did you do with that group?

Yedidia: Like everything else, it has a history. Sometime in the early 1960s, when Pat Brown, Jerry Brown's father, was governor, he appointed a commission to study the health of Californians. The commission included two friends: the late Paul St. Sure, who was a distinguished attorney in this area, and Harry Polland, an economist. Paul St. Sure was then the president of the Pacific Maritime Association, and he also represented the California canning industry. Harry Polland was associated with a prominent legal firm in San Francisco, and represented the unions in the industry. Dr. Lester Breslow, who was subsequently director of the state Department of Public Health, was to staff this committee.

Dr. Breslow impressed them with the gospel of preventive medicine. They were so impressed with this gospel that during the subsequent negotiations between the canning industry, whom Paul St. Sure represented, and the cannery workers unions, whom Harry Polland represented, they set aside a penny an hour for a preventative program.

Huth: A penny an hour? [chuckles]

Yedidia: Well, in 1963, a penny an hour was a big deal. As I recall, it generated over half a million dollars annually.

Huth: That was for prepaying a health plan?

Yedidia: For preventative medicine. For developing a preventative medical program for cannery workers.

Huth: And you wouldn't call it a health plan?

Yedidia: No. They had, in addition, a health insurance program which had been established earlier. I recall that sometime after this negotiation I had lunch with both of them, and they asked me what I thought of it. I said I didn't think much of it. I said, "You have a miserable health insurance program; why don't you use the funds to improve it?"

I think Dr. Breslow was a greater persuader than I was.

Huth: In what way?

Yedidia: Because they were convinced that an effective preventative program could be developed.

Some three years went by, and in 1966, before the beginning of another round of negotiations, a decision had to be made: What to do with the money allocated for preventative care? By then, Paul St. Sure no longer represented the industry, but Harry Polland continued to represent the unions. My advice to them was to go back to Dr. Breslow and ask him what to do with the money. Dr. Breslow was then the state Director of Public Health.

Organizing a Mobile Multiphasic Program

Yedidia: In any event, after a great deal of consideration, a friend of mine, M.A. Bunow, who had been in the medical laboratory business all his life, and who had just left his laboratory, and I agreed to organize a mobile multiphasic health testing program for them.

We developed a testing protocol with the assistance of some people at Kaiser, for instance, Dr. Morris Collen. We designed and built a mobile multiphasic unit, which was housed in three ten foot by sixty foot trailers. In 1967, at the height of the canning season, we moved this unit into each cannery--to some eighty sites, and provided the workers with a relatively sophisticated multiphasic testing program. I recall that during that first year we tested twenty-two thousand people in ninety days. Workers with abnormal

Yedidia: findings were referred for follow-up to their own physicians. This program is still in existence today. It's now administered by a non-profit organization whose directors include two employer representatives, two labor representatives, and three professionals. I'm one of the people on the board.

Huth: Three professionals meaning what?

Yedidia: In the health care field. A physician; my colleague, who is a laboratory specialist; and I, as a health economist, are the three professionals.

Huth: You said that you got some assistance from Dr. Morris Collen. Was there any other input, other than just talking to Kaiser people about how to set it up, or did Kaiser actually provide people to come in and help?

Yedidia: No. Dr. Collen is a colleague. He was the director of the multiphasic program at Kaiser, and a leading expert in the field. His advice was generously given.

Huth: Would you say that Dr. Collen is the multiphasic expert?

Yedidia: Yes. Internationally.

Huth: I understand that he also is an engineer.

Yedidia: Oh, yes.

More on the Longshoremen: The Multiphasic Program, 1951

Yedidia: Incidentally, the multiphasic program at Kaiser has an interesting history. When the longshoremen first joined the health plan in 1950, they, with their dependents, numbered about fifteen thousand people. As I recall, this group represented about a 15 percent increase in the membership of the health plan at that time.

During the discussions that preceded their decision to join the health plan, a great deal of stress was placed on the importance of preventative medicine. I remember, for example, a union meeting which was attended by over three thousand longshoremen. At this meeting, Mr. Harry Bridges, then president of the union, extolled the virtues of the health plan and emphasized that the union leadership, along with the employers, had chosen our plan because it made available to its membership the benefit of physical examination at no additional cost. As I recall, he said something like the following: "We are interested in improving and protecting the health of our members. We expect you and your dependents to take advantage of this important feature of the plan without delay."

Yedidia: This was a recurring theme, and it was accompanied by considerations of measures that the union should take to see to it that the members did not procrastinate in availing themselves of a complete health examination. It is hard to appreciate now in 1985 how incompatible this view of the importance of physical examinations was with longshoremen's attitude to medical care in 1950.

To the majority of longshoremen, medical care was for those who were seriously ill or injured. One went to a doctor only as a last resort. The leadership of the union considered ways of rapidly changing attitudes and lifetime habits of their members. One of the proposals, for example, was that the "plug be pulled" on longshoremen who did not undergo a physical examination by a certain date. The "plug" was then, and probably is still, an important institution in the life of longshoremen. It related to a procedure of assignment of men to jobs. This procedure, as I understood it, was a product of collective bargaining, and it was designed to produce equity and eliminate favoritism and discrimination in job assignments. "Pulling the plug" on men who did not show proof of having had a physical examination meant that these men would not be allowed to work.

We at the health plan were greatly concerned at the prospect of having to provide some six thousand physical examinations for the longshore work force in a short period of time. Our resources would have been severely strained. Furthermore, we did not like the linkage between eligibility for employment and a physical examination provided as a health plan benefit.

Huth: Why was this objectionable?

Yedidia: The contract with the health plan was and is to provide nonoccupational health care to longshoremen and their dependents. Any responsibility that the employer has under the law for the care of illness and injuries associated with the job is to be provided independently of the health plan contract. The distinction between job-related illness and nonoccupational health care is critical. Whereas the medical record of a health plan member is confidential and cannot be released to anybody without specific authorization by the member, the medical record of a worker treated for job-related conditions is available to the employer, as well as to the worker.

Huth: Please continue with the physical examination story.

Yedidia: To avoid the disruption in day-to-day medical services that would have occurred for health plan members, had we had to perform a complete medical examination of the members of the longshoremen's union in a short time period, we organized the multiphasic program.

Huth: Was that staggered over a period of several weeks?

Yedidia: No. About four thousand longshoremen were examined in one week. This program is described in a paper published in The American Journal of Public Health.*

During the year following this 1951 effort, a multiphasic screening program was developed in the Kaiser facility in Oakland under the direction of Dr. Morris F. Collen.

Huth: Now let's return to the California canning industry multiphasic program of 1967. Was this program conducted under Kaiser auspices?

Yedidia: No. But Dr. Collen and his group were generous in providing requested advice. The cannery program was described in a number of publications.**

Huth: What is your present role in this program?

Yedidia: As I have already stated, I am a member of the board of directors of Health Services Foundation, the organization which, among other functions, conducts the screening program.

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*Weinerman, E. R., Breslow, L., Belloc, N. B., Waybur, A., Milmore, B. K.: "Multiphasic Screening of Longshoremen with Organized Medical Follow-Up." Am J Pub Health; reprinted in Medical Care in Transition 1:159-174. Division of Community Health Services, U.S. Public Health Service, Eds. Washington, D.C., U.S. Department of Health, Education, and Welfare, 1964.

**Yedidia, A., Bunow, M. A., Muldavin, M. S.: "Mobile Multiphasic Screening in an Industrial Setting: The California Cannery Workers Program." J Occup Med (special report) 11:602-662, 1969.

Sherman, S. R., Bunow, M. A., Yedidia, A.: "Computer Intervention with People, Patients, and Physicians." Med Care 8:276-286, 1970.

Yedidia, A., Bunow, M. A., Muldavin, M. S.: "Computerized Entry into Medical Care: Its impact on Doctor-Patient Relationships." Calif Med 115:69-73, 1971.

Yedidia, A.: "California Cannery Workers Program: Multiphasic Testing as an Introduction to Orderly Health Care." Arch Environ Health 27:259-263, 1973.

Huth: Do you have to travel, as a result of that?

Yedidia: No, I don't. I serve on a number of board committees: budget, policy, and evaluation.

Huth: Then you can pretty much do it right here in this area.

Yedidia: Oh, yes. Occasionally, during the testing season, I like to go on a field visit. The testing program this year will begin on July 15.

Huth: Did the program change since 1967?

Yedidia: Oh, yes. The program is improving all the time.

Huth: Has it been copied anyplace else that you know about? Has anybody else taken it up?

Yedidia: Well, there had been all kinds of ventures in multiphasic screening under both commercial ventures and government auspices, in many parts of the country. Some of the commercial ventures lost a lot of money. Some of them made money. [chuckles] Some were good, and some were not. But the cannery program is still continuing.

Huth: It sounds as if it's very well-run.

Yedidia: I think so.

Huth: Your methods of organizing it, with your board, and the people you've brought in to do the work, appear to have been the right choices.

Yedidia: It's really working out very well.

Community Rated, Prepaid Health Plans Versus Experience Rated Plans

Huth: Please tell me about rate setting and benefit schedules, and what a community rated system is. You mentioned that earlier when you were answering one of the questions.

Yedidia: This is a complex subject. The principle that underlay the early development of health insurance was that when a group of people band together and contribute a fixed amount of money on a periodic basis, the pool of money generated would be adequate to pay the medical expenses of those in the group who fell sick. Blue Cross, for example, had its origin in a community in Texas in the early 1930s, during the Great Depression. A group of school teachers banded together, and each contributed a dime a week. The money thus collected was used to pay for the hospital care rendered to anyone in their group. Community rating means that all the people in a given community pay the same amount of money for a given set of benefits.

Yedidia: Up until the mid-1950s, Blue Cross and Blue Shield plans throughout the country remained community rated. Insurance companies did not go this route. They followed the experience rating method. Each insured group within a community has had a rate based on its medical expenditures. Under experience rating, different groups within the same community having the same benefits may have widely divergent rates based on the actual experience of each group.

As the insurance industry became more and more involved in the health care field, Blue Cross plans determined that, in order to remain competitive, they had to become experience rated as well. Otherwise, those industries or groups that had the lower-than-average medical expenses would opt for insurance, and those who had above average medical expenses would stay with Blue Cross. As a result, Blue Cross would have had an ever-increasing concentration of high cost groups.

To the best of my knowledge, only one Blue Cross plan in the country, that of Rochester, New York, is still community rated; all the others are experience rated.

The Kaiser Foundation Health Plan and similar group practice plans adhered to community rating. The HMO law enacted in 1973 required that all federally qualified HMOs adhere to community rating. Over the years, amendments to the law have permitted certain departures from strict community rating. But rating methods, the debate surrounding them, and some of the new approaches are all in the category of current events, and we are discussing history.

Huth: Do you have any further comments on the historical background of this debate?

Yedidia: Yes, many, but since our time is limited, I'll confine myself to only a few recollections. The debate on rating methodology in health insurance was, and to some extent still is, a national issue. Economists, academicians, legislators, and people engaged in all aspects of health care delivery participated. Many of the participants held strong views on the subject, thus contributing to the intensity of the discussion. Whether this heated debate helped shed light on the issues, or merely stratified the prejudices of the debaters, depends on one's point of view.

Small as my part was in the consideration of this issue, I would like to refer to two comments I made on two different dates, reflecting my views on the subject. In a paper delivered in 1956, referring to the proliferation of experience rating, I stated:

Yedidia: This development tends to concentrate the cost of medical care on groups that are least able to pay for it. Workers in depressed industries, and those with a high percentage of older people, find even a plan with limited hospital and medical benefits beyond their means.

> In this atmosphere, it becomes increasingly difficult to develop community-wide planning for spreading the costs of care for the chronically ill, the aged, and other special groups in need of concentrated medical care.
>
> To the extent that serious problems of medical care are not met through voluntary health insurance--through the voluntary spreading of costs--we can expect increasing pressures for compulsory spreading of costs through the use of tax funds.*

On a subsequent occasion, in 1958 I stated:

> There is no use saying we are doing a good job in the field of voluntary health insurance, unless we face the responsibility of providing health care or protection for the very special categories for which we presumably show the most concern--the sick, the unemployed, the retired, and the aged... If we cannot face our responsibility, it seems to me we should get out of that business and into another one.**

Huth: What, in your opinion, were the consequences of the proliferation of experience rating?

Yedidia: The enactment of Medicare and Medicaid in 1965 was, in my view, largely attributable to experience rating. Health insurance premiums for retirees priced them out of the market. As for the poor, the rapid increase in the cost of medical care, and the availability of funds to pay for the care of people in the active labor force created a gap between the haves and have-nots that became politically unacceptable.

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*Yedidia, A.: Health and Welfare Funds. Paper presented at the Sixth Annual Group Health Institute, Cooperative Health Federation of America, Philadelphia, PA, August 22-24, 1956. Panel Discussion on "Collective Bargaining for Health Benefits."
"Voluntary" refers to "non-governmental."

**Somers, H.M., Somers, A.R.: Doctors, Patients, and Health Insurance. Washington, D.C.: The Brookings Institution, 1961, p. 364.

Huth: Are HMOs adopting experience rating?

Yedidia: There are increasing tendencies among HMOs to adopt some form of experience rating. The competitive pressures generated by experience rating force HMOs to consider using it as a method of retaining their attractiveness to low-risk groups.

Huth: How do you view the future?

Yedidia: My crystal ball is somewhat cloudy. I believe that the prevalence of experience rating will make it increasingly difficult for segments of our population to benefit from voluntary health insurance. At the same time, government on the federal, state, or local level is not inclined to assume new financing responsibilities for health care. On the contrary, there are strong pressures to decrease, or at least freeze government responsibilities at the present levels. Nevertheless, I am an optimist. I have faith in the decency of Americans--we will find ways of providing health services to the entire population.

Work With the Health Insurance Plan of New York (HIP), 1952-1985

Huth: Will you please tell me about HIP, the Health Insurance Plan of New York, and what your involvement was with that?

Yedidia: My first visit to HIP was in 1952, when their plan was bigger than Kaiser's. That visit was a result of a discussion with Dr. Garfield one day about some of our problems. At one point, Dr. Garfield said, "I wonder what HIP is doing about that? Why don't you pay them a visit?" So my first visit to HIP was that of a novice looking at a senior program, trying to learn how we might resolve some of our problems.

For me, it was an interesting exposure, and from then on I had a continuous relationship with them, a collegial relationship.

In 1962, when I was already a consultant, I was invited by an ad-hoc committee of HIP's board of trustees to review HIP and recommend new directions. I prepared a report that was adopted by the board, but it was not to the liking of the doctors. If implemented on a full-scale basis, it would have involved significant dislocations.

Interestingly enough, some twenty-two years later--that was in late 1984--I was asked to come back to review HIP again. They said, "By now, we have implemented many of your recommendations. Come take another look." So early this year I spent some time looking at HIP and preparing a report for them. It happened that my review

Yedidia: coincided with the time that Kaiser and HIP were talking about a possible merger. In some ways that made my visit all the more interesting. So even though my relationship with HIP had been continuous since 1952, it is marked by three reports in 1952, 1962, and 1985. That gives it some historical perspective. And it reminds me of my age, and how rapidly time passes.

Huth: What happened to the Kaiser-HIP merger discussions?

Yedidia: As you know, I was in Europe, and I didn't talk to anybody about it since my return. But as I understand it, a joint statement was made that such a merger was not timely.

Huth: Is it just at the present time? Could it still happen?

Yedidia: I'm not sure what the nature of the press release was.

Huth: Isn't Kaiser larger than HIP now?

Yedidia: HIP has close to nine hundred thousand members, and Kaiser has by now close to five million members.

Huth: Did HIP tend to stay the same size right along? Wasn't it big back in 1962, also?

Yedidia: HIP was stagnant for a number of years, but it showed significant growth and revitalization in the last five or six years. And I think they have a good future. At least, I hope so.

Huth: Are you likely to be involved again in a future study?

Yedidia: Twenty years from now? [laughs]

Huth: Well, five years?

Yedidia: I have no idea. I sent my report and left for Europe.

IX INNOVATIONS, CHALLENGES, AND PROSPECTS

Huth: Has Kaiser had competition from other HMOs in recent years?

Yedidia: Lots of competition. But you'll have to talk about it to some Kaiser people who are active now. The competition is significant and challenging. The whole scene has changed.

Huth: Has the competition caused some changes at Kaiser in the quality of care and services? Have they changed anything in order to keep up and keep going?

Yedidia: This is an observation I can make as a close and interested observer.

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Changes have been made to provide easier accessibility. It's a large program with a large number of employees; implementation of changes requires time, sustained effort, and patience. I think, viewing it from my own personal experience, that tremendous improvement has been made.

From the perspective of a consumer, one of the most important new functions that was instituted is that of the advice nurse.

Huth: They call them advice nurses?

Yedidia: Yes. Based on a recent experience, I believe that they are doing a tremendous job.

Huth: And what was you recent experience?

Yedidia: I needed medical care for my wife and myself after returning from a trip. I called up, and within an hour the advice nurse worked out arrangements for our care.

Huth: Can they also make it possible for you, where you couldn't get an appointment for a month ahead, to have an earlier appointment?

Yedidia: Actually, there are no problems in getting urgent care within a day, or within hours. But there still is the issue of regular appointments for checkups and so on. I think in some departments, this still remains very difficult.

As to getting urgent care, which is a large proportion of all medical care, I think they have made tremendous strides in making that easier for people.

As far as quality is concerned, once you get into the system the quality of care at Kaiser is as good or better than in the community-at-large.

Huth: One person that I talked to said that if you are an intelligent, astute person and learn how to move around in Kaiser, you can do this, but for the average person who doesn't know how to use the system this might be difficult.

Yedidia: My contention over the years, beginning as early as forty years ago, was that "If you need to be a college professor to figure out how to get around in this system, then we should have only college professors for members, and then none of us could make a living." It's a complex system, and actually even astute people who were never sick could not suddenly, when they fell sick, learn how to use the system. Very few well people bother to ask the question, "What am I going to do when I get sick?"

The system at Kaiser has to be sensitive to the casual user as well as to the chronically sick person. I would say that members of Kaiser, whether sophisticated or not, who need continuous medical care, learn how to use the system, and they get good medical care.

The casual user, though, has to learn the system. I think that big improvements were made in recent years, in part because of competition and to make it easier for the casual user to enter the system. I talked to some friends who have young children, for example, who said that pediatric care is great; they are delighted with it. They also say that obstetrical care is good. I remember from the very early days we felt that the two services that sold the health plan more than any others were good pediatric care and good obstetrical care.

Huth: This is the reason that families wanted to come in, certainly.

Yedidia: My impression is that they've made a great deal of progress through adding the advice nurse and the automated appointment system.

Thoughts on Quality of Care

Huth: What about the need to insure cost and economic efficiency, and the high cost of providing medical care? Has that had any impact on the quality of care at Kaiser?

Yedidia: My belief is that there are two elements involved in relation to quality. The first element is that, from the very beginning, Kaiser was in a fishbowl, and the stature of the physicians and the quality of care provided were always of great concern. Secondly, over the forty years of its existence, the program proved to be a good home for physicians. Consequently, the two thousand physicians associated with the program in northern California represent a large concentration of talent in all fields of medicine. I am told that the young physicians recruited now are "the best of the crop."

Huth: Do you know anything about how they get the best of the crop? Is it just by those who apply?

Yedidia: Many physicians want to come here. I have occasion to speak to residents and interns in a variety of places, not as often as I used to, but still, almost from coast to coast, and the younger physicians would love to be in a setting like Kaiser, once they learn about it. I understand that Kaiser, in many departments, cannot absorb their own best residents.

Huth: But do they have to let some of them who are really good go?

Yedidia: Yes. Even though the program is growing all the time, it cannot absorb all the residents it trains. I understand that recruitment is not a problem.

Organizing to Monitor Related State and Federal Activity

Huth: You told me a little about government relations and the monitoring and lobbying of bills that affect the health industry. What else can you tell me about that?

Yedidia: Kaiser was involved in it on the state level ever since the 1950s, and then at the federal level beginning in the late 1950s. In every state, wherever Kaiser has a region, it has a government relations person. The government controls a great deal of health care, both through licensing and oversight of facilities, physicians, and ancillary personnel, and through financing.

There are laws that affect many aspects of health care.

Huth: Government relations are handled in what is called the Central Office, which is in Oakland. Then Kaiser has an office in Washington, D.C. What else is there?

Yedidia: Then, each state has government relations personnel.

Huth: In California, do they handle their state government relations through the Central Office in Oakland, or is there an office in Sacramento?

Yedidia: I don't know. You should interview other people about this. All government relations people report to Mr. Erickson, the general counsel.

Huth: As a consultant, you had an office somewhere near the Central Office, didn't you?

Yedidia: I had an office in the regional office at 1924 Broadway until I retired. My relationship since then was largely with the Central Office.

Semi-Retirement, Continued Consulting, and Travel

Huth: Do you have any consulting that you're doing now for Kaiser?

Yedidia: Not today.

Huth: Not today--but tomorrow? [laughs]

Yedidia: Several months ago. I was very much involved in a number of projects.

Huth: Do you want to tell me anything about what you did?

Yedidia: No. It's of no great consequence. This is not history anymore. What's more, it is in the nature of client relationship.

Huth: It sounds as if you have kept busy since your retirement. The actual retirement year was how long ago?

Yedidia: 1982.

Huth: And this is 1985, three years later.

Yedidia: I'm generally quite busy, both with Kaiser and elsewhere. But I try to limit myself to interesting projects. It happens that there are many interesting things that are happening now because the industry is in such a turmoil. Some people think maybe those old timers know something. Sometimes I wonder.

Huth: You have told me something about your activities during those three years. I want to know how you have spent your time, other than what you've already told me. You mentioned your recent trip to England. Have you done quite a bit of traveling in the last three years?

Yedidia: We travel about two months a year.

Huth: Where have you travelled to?

Yedidia? We were in the Orient once. We were in Europe almost every year, and in Israel once.

Huth: In those three years?

Yedidia: Yes. Before that, too.

Some Thoughts on the Kaiser Health Plan's Future and Leadership

Huth: Is there anything else you'd like to tell me about the Kaiser program?

Yedidia: I have great expectations. Of course, I'm not familiar with the emerging new leadership and how they will react to new things as they happen, but I have a lot of respect for the people I work with, such as Jim Vohs, Robert Erickson, and Scott Fleming.

Huth: Aren't they still in active leadership?

Yedidia: Yes.

Huth: Are they old-timers?

Yedidia: They are old-timers now. I'm ancient, and they're mature.

Huth: But as to the emerging new leadership--who are some of the new leaders coming in?

Yedidia: There are a lot of young people; it's a big organization. I think Kaiser probably has fifty thousand employees. There are a lot of new leaders; there are a lot of things going on. It's a big business as businesses go.

Huth: Do the leaders tend to come up from the manager positions? Jim Vohs certainly did. What about Erickson?

Yedidia: Erickson came to the plan as a lawyer, I think he's a Harvard graduate. He came in 1959. New professionals are recruited all the time. But I think the tendency is to look at people who grew in the program--for promotion from within.

Huth: To use their experience?

Yedidia: That's right. One of the most important elements of the growth of Kaiser was that it grew fast, and thereby gave a lot of people an opportunity to demonstrate their abilities. It wasn't a static situation, as you find for example in academia. If you want to advance as a professor, somebody has to retire. Kaiser was an organization that was hungry for talent all the time. Generally speaking, people who could demonstrate their ability had a chance to grow and develop.

Some of the young people I'm in contact with are great.

Huth: Wasn't Dr. Keene one who was brought in from outside?

Yedidia: That's not exactly so. Dr. Keene came to Kaiser right after the second world war, after he got out of the service as a surgeon.

Huth: So that was early.

Yedidia: It was in 1946 or 1947, and then he went to Detroit when Kaiser started its automobile business, as medical director of that.

Huth: Did he start here then?

Yedidia: He was in the Oakland Kaiser Department of Surgery for a while, and then he went off to Detroit. When Kaiser phased out its automobile business in Detroit, Dr. Keene came here.

Huth: You said Bob Erickson was an attorney. Was he an attorney for Kaiser Industries?

Yedidia: No, no, I think he came from another firm. Scott Fleming recruited Bob Erickson.

Huth: I know that earlier, some of the people who came in came from Kaiser Industries--some of the leaders.

Yedidia: Scott Fleming started out as an attorney in Kaiser Industries, and then he was assigned to a project with the health plan, and ended up being full time. He started in the legal department. Then in 1970, I believe he went off to Washington for a while.

Huth: Is there anything else you want to say about the Kaiser philosophy, or your own? Some closing words?

Yedidia: I don't know. What did Mark Twain say, "Prophesies are hard to make, particularly about the future." [laughs] I'm not sanguine about the medical care field now. The jury's still out on what happens when venture capital is mistress. I'm particularly concerned with the fact that policy decisions with respect to health

Yedidia: care are increasingly out of the hands of professionals, both physicians and other professionals in the health care administration field, and more and more in the hands of business or government. Both business and government have considerations other than medical care, and to the extent that professionals have less and less impact on policy decisions, I'm concerned.

Huth: Is this likely to be less concern for the consumer?

Yedidia: Less for the welfare of the nation. At my age, however, one has to be an optimist. I think this trend will not last very long, and I suspect that when the pendulum swings back, it will swing very hard, much too hard. That's probably part of the phenomenon. We are removing regulations in areas such as transportation, banking, as well as health care. It will take only a few major disasters to realize that our society is too complex to go without regulations.

While the freedom of the individual is important, the safety of our society and of the individual himself depend on some kind of regulated society.

Huth: Therefore, we need some regulations, do we?

Yedidia: Abandoning regulations leaves us unprotected. Regulations will be reinstated in the future. Which is not too distant, in my view. And that applies to health care as well as to many other enterprises.

So we're facing an uncertain period, but I don't believe that ultimately business is going to dominate health care.

A Few Words About Special Co-workers

Huth: Before concluding our interview, would you like to comment about some of the people at Kaiser with whom you worked?

Yedidia: Well, this is a tall order, and one that cannot be met on the spur of the moment. As a matter of fact, I had asked myself the same question several years ago.

Huth: On what occasion, and what was your answer?

Yedidia: The occasion was a retirement party that Kaiser gave for me on November 5, 1981. I decided then to make brief remarks about those of my colleagues who were no longer alive. I will be pleased to give you a copy of those remarks. [the remarks follow:]

Yedidia: I would like to say a few words about a number of colleagues who are no longer alive. These are people with whom I shared a close working relationship at some period during the past thirty-six years. Each of them played a role in the development of the program and all of them contributed to my learning process.

Dorothea Daniels. Her dedication to patient care was as unblemished as her uniform, which miraculously never wrinkled.

Paul Fitzgibbon. Notwithstanding a shield of cynicism, he bolstered the confidence of many during a critical period.

Aloyisus (Al) Brodie. It is unlikely that any of his contemporaries remember him for his excessive modesty. Nevertheless, I doubt that Al himself realized the significance of his contribution to prepaid group practice.

Boots Ogden. The Deacon--his religion was the health plan, which he preached with evangelical fervor.

Abe Gans. Trained as a philosopher, he established the initial membership accounting and data gathering systems. He taught us, in those early days, the meaning of numbers. His contribution has long since been forgotten.

Hal Babbitt. A gentle and warm human being, who brought dignity to the management of the health plan.

Phil Chu. Through a decade of close working relationship and friendship, on those infrequent occasions when we failed to reach agreement on an issue, he would say to me: "The trouble with you is that you don't understand the Oriental mind." Sadly, his premature demise deprived me of the opportunity to gain such an understanding.

Mr. Henry J. Kaiser, Sr. I was exposed to this remarkable man during two periods of my work with the health plan. Our being here tonight is attributable in a large measure to the fact that this man had never forgotten that he was once poor.

Arthur Weissman. Our most recent casualty. Art was a colleague, a friend, and at once an older and younger brother. Older--for the wisdom of his counsel. Younger--because his uncompromising integrity combined with his sensitivity and loyalty to people often left him nakedly vulnerable and in desperate need for support and reassurance.

As for my living colleagues and friends, I would have a race with tomorrow's dawn were I to comment on their respective contributions to my education. I'll therefore confine myself to the following:

I am grateful to you all.

Yedidia: I am grateful that I happened to wander into your midst in 1945.

I am grateful that you afforded me the opportunity to share in a great adventure.

I have spent practically all of my working life with you. The first chapter of our affair ended in October, 1959. Tonight marks the end of the second chapter. During the last twenty-two years you trusted my loyalty and kept me in the family, even though I ventured in part away from the nest. Tonight's event is most gratifying, for it signifies that your trust was not misplaced.

Two chapters do not make this book. What all the future will hold I cannot predict. I am sure, though, that it will include continued loyalty to the program and its stated principles, continued concern for its place in the scheme of things, and continued affection for my colleagues.

Thank you.*

Huth: That is an appropriate closing. Thank you for the interview.

Transcriber: Michelle Anderson
Final Typist: Shannon Page

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*Remarks by Avram Yedidia, November 5, 1981.

TAPE GUIDE -- Avram Yedidia

APPENDIX

Presented at the Frank Jones Memorial Service, April 30, 1987

Remembering Frank Jones
April 30, 1987

What was the shape of things when I first met Frank in mid-1945? World War II was winding down, the shipyards were laying off thousands of workers almost daily, there was the elation that the long War was ending and great debates about the future.

Within the organization, known then as the Permanente Health Plan, the mood belied the name. There was nothing that appeared permanent - the Uncertain Health Plan would have been a more appropriate name. By October of 1945 the membership dwindled down to 11000. There were doctors, there were hospital beds and an abundance of gloom.

Personal recollections are both subjective and selective. Nevertheless, we are all captives of our own "do it yourself" history. As I remember, the physicians in the Program then could have been classified into three categories. At one extreme was the small nucleus of physicians who along with Sid Garfield were the pioneers of the Desert and the Dams. Whatever the uncertainties, they were sure that they wanted to have a life together in the future as they had in the past. The great adventure of their youth seemed to have bound them together for ever after. Their devotion and loyalty to each other made everyone who came near them feel like an outsider.

At the other extreme were quite a number of physicians who were eager for the War to be over so that they could be released from their wartime assignment and get on with their professional life in private practice.

Between these two extremes were those who were uncertain and had a wait and see attitude.

How did this internal atmosphere affect those of us who, like Frank and I, worked in the Health Plan? What propelled us? To the extent that the organization had a solid core it was represented by the group of physicians who sang the desert song. Notwithstanding a cordial reception, we were strangers amongst this closely knit family.

It was in this setting that we had to develop a program that would attract members. The shape of the program and its orientation were ill defined. The surrounding environment was hostile. The profession regarded our scheme to be contrary to the ethics of a noble profession, and along with other leading elements in the community,, denounced it as an un-American idea that must be eradicated before it polluted the pure American scene. This description may seem outlandish or at the very least grossly exaggerated. But I refer the curious among you to the newspapers of that era.

This was the scene that Frank and several others entered and

began what turned out to be their life time career. The Health Plan has had many transients; people who came and left. I am speaking ofthose who came and stayed. Those who left their imprint on the program and made a lasting contribution to its growth and development.

Among those, Frank held a most prominent position. In trying to define his unique contribution, I must first stress that to the outside world from which we had to draw a membership, we were The Plan. At the same time we lacked a home within the organization. We did not have the feeling of belonging in the very house which we were building.

This is where Frank made his unique contribution. I cannot help but recall that my late father in law was the first to define Frank's contribution to me. He was a businessman from the middle west, and during those early years he used to visit us annually. Having been a man of great curiosity and significant human insight he was intrigued by my work, attended some meetings with me, and met most of my colleagues. The following was the summary of his impressions: " You are an interesting collection of characters; you are selling pie in the sky and you are not even sure of the shape of the pie. Your colleagues came from diverse educational and cultural backgrounds; sometimes I feel that you don't even speak the same language. Yet you seem to work well together and be good friends".

It was after attending a meeting in the hospital with a prospective Health Plan group (I even remember the group - the employers and employees of Moore Drydock) that he defined Frank's contribution: "When Frank stood up to speak", he said, " everybody in the audience knew that he 'belongs', that he is a man of substance. For a group of orphans like you, who appear to many as unreal, he represents an anchor, a foundation on which one can build".

I have often thought of this characterization of Frank. It is only infrequently that persons with such stability are attracted to new and untried ideas, but their contribution is crucial to the process of making dreams a reality.

In the beginning Frank was somebody I worked with, then he became a colleague and a dear friend. He, more than any other individual made the Health Plan a respectable component of the Kaiser Permanente Health Care Program. I cherish his memory and share with his family the void he leaves behind.

Avram Yedidia

Avram Yedidia
Consultant, Organization of Health Care Services

Biographical Data

Education

1928 - 1930	Hebrew University Jerusalem, Israel BA, Education
1934 - 1937	Columbia University, New York University of California, Berkeley Graduate work in Economics and Psychology

Health Care Background

1945 - 1959	Representative and Consultant Kaiser Foundation Health Plan, Inc. Northern California Region
1959 - Present	Consultant Organization of Health Care Services Self-employed

Major Consultation and Professional Activities

1959 - Present	Kaiser Foundation Health Plan, Inc. Oakland, California
1961	American Motors Analysis of health insurance program
1961 - 1969	Community Health Foundation Cleveland, Ohio Planning and implementation of a prepaid group practice program
1962	Health Insurance Plan of Greater New York Evaluation and suggestions for reorganization
1964 - 1978	Joint Council No. 7 Dairy Industry Trust Fund Northern California Planning, implementation and administration of a Prescription Drug and Eyeglass program

for active employees and retirees; planning and implementation of a medical care program for retirees

1965 — Office of Economic Opportunity
Washington, D.C.
A proposal for organization of neighborhood health centers

1965 - 1966 — Yale-New Haven Hospital and Yale Medical School
Impact of Medicare on the teaching program and on the economy of the hospital

1966 - 1969 — Yale University
Reorganization of student health services

1966 - 1975 — President
Health Testing Services, Inc.
Berkeley, California
Planning, implementation and administration of Mobile Multiphasic Screening and Follow-up for California cannery workers

1967 — Cardinal Paul Yu-Pin, Archbishop of Nanking
Rector Magnificus, Fu Jen Catholic University
Taipei, Taiwan
Planning, organization and financing of a teaching hospital in Taipei

1969 - 1970 — Metropolitan Hospital Medical Group
Detroit, Michigan
Appraisal of organizational structure of the medical group and its relationship to the Board of Directors of Metropolitan Hospital and the Board of Directors of Community Health Association

1970 - 1971 — School of Human Medicine
Michigan State University
East Lansing, Michigan
Design of a medical care program for students, faculty and employees and its use as a teaching model for medical students

1971 - 1974 — Associated Hospital Service (Blue Cross) and
Long Island Jewish-Hillside Medical Center
Development of a jointly sponsored group practice prepayment program

1972 - 1973 — The School of Medicine
The University of Northern Carolina
Evaluation of a proposed University-sponsored program for students and the community of Chapel Hill, North Carolina

1974 - 1978 — County of Santa Barbara
Appraisal and reorganization of county health services

1975 - 1977 — Comprehensive Health Services of Detroit
Evaluation of the organization's structure

Other Professional Activities

1967 - 1973 — Lecturer
Yale University School of Medicine

1969 - Present — Chairman
Medical Advisory Council
California State Employees Retirement System

1975 - 1976 — Member, Prepaid Health Plans
Advisory Committee to the California Department of Health

1978 - Present — Chairman
Policy Advisory Committee
Washington, D.C.
Study of feasibility and desirability of establishing an HMO Network. Conducted by Group Health Association of America at the request of the Department of Health, Education and Welfare

Publications

Saward, Ernest, M.D., E. Richard Weinerman, M.D., Glenn Wilson, Avram Yedidia, "Pretenses, Practices and Patterns in Group Health Programs," Proceedings of the Twelfth Annual Group Health Institute, (Chicago: Group Health Association of America, Inc., 1962), pp. 135-161.

Sherman, S. R., M.D., M. A. Bunow, Avram Yedidia, "Computer intervention with People, Patients and Physicians, "Medical Care, 8:276-286, July-August 1970.

Yedidia, Avram, "Collective Bargaining for Health Benefits," Proceedings of the Sixth Annual Group Health Institute, (Chicago: Cooperative Health Federation of America, 1956), pp. 118-123.

Yedidia, Avram, Two Areas Affecting Quality of Medical Care in Prepaid Health Plans, "Proceedings of the Eighth Annual Group Health Institute, (Chicago: Group Health Federation of America, Inc., 1958), pp. 35-39.

Yedidia, Avram, "Dual Choice Programs," American Journal of Public Health, Vol. 49, No. 11 (November, 1959), pp. 1476- 1479.

Yedidia, Avram, "Building Membership in Group Practice Prepayment Plans," Proceedings of the Thirteenth Annual Group Health Institute, (Chicago: Group Health Association of America, Inc., 1963).

Yedidia, Avram, "Types of Health Risk Bearers: Group Practice Prepayment Plans," Group Insurance Handbook (Homewood, Illinois, Richard D. Irwin, Inc., 1965), Chapter 15.

Yedidia, Avram, "Comprehensive Personal Health Care," Planning for Health, (Report of the 1967 National Health Forum, New York: National Health Council, 1967), pp. 152-159.

Yedidia, Avram, "Planning and Implementation of the Community Health Foundation of Cleveland, Ohio," (Washington, D.C.: U. S. Government Printing Office, 1968) Public Health Service Publication, No. 1664-5.

Yedidia, Avram, "Federal Support for HMOs," Journal of Medical Education, Vol. 48, No. 4 (April, 1973) Part 2, pp. 83-92.

Yedidia, Avram, "California Cannery Workers Program: Multiphasic Testing, an Introduction to Orderly Health Care", Archives of Environmental Health, Vol. 27, October, 1973.

Yedidia, Avram, "Observations on the Group Health Association of America Standards for Member Health Plans." (Presented at a session of Group Health Association of America during the American Public Health Association Convention, San Francisco, California, November 7, 1973.)

Yedidia, Avram, M. A. Bunow, M. Muldavin, "Mobile Multiphasic Screening in an Industrial Setting," Journal of Occupational Medicine, 11:602-662, November, 1969.

Yedidia, Avram, M. A. Bunow, M. S. Muldavin, "Computerized Entry into Medical Care: Its Impact on Doctor-Patient Relationships," California Medicine, pp. 69-73, October, 1971.

Reprinted from American Journal of Public Health, Vol. 49, No. 11, November, 1959

Arrangements whereby potential subscribers to a prepayment medical care plan are offered a choice between two types of plans is a recent development. How the Kaiser Foundation Health Plan functions in such a situation is presented in this paper.

DUAL CHOICE PROGRAMS

Avram Yedidia

THIS DISCUSSION OF dual choice programs is based on the experience of the Kaiser Foundation Health Plan in the San Francisco Bay Area Region of Northern California. The term "dual choice program" may be new to some readers of this paper. However, I believe the meaning of this term will become clear as I describe briefly the setting within which dual choice programs evolved.

Background

At the conclusion of World War II, the Kaiser Foundation Health Plan—a group practice prepayment plan—opened its membership rolls to groups and individuals in the community. Prior to that time the plan served employees of the shipyards operated by the Kaiser Companies and the families of the shipyard workers. As a group practice prepayment organization, this plan made comprehensive medical care available to its members in a manner substantially different from the traditional system of medical care (solo practice, fee-for-each-service) prevailing in our community. The group practice prepayment approach to medical care had to prove itself in the community on the basis of voluntary enrollment. Each person who joined the plan, either through group or through individual enrollment, did so as a result of his own decision—his own choice to become a member of the plan. The principle of voluntary enrollment was a basic concept in the community-wide development of the Kaiser Foundation Health Plan.

At that time, in the mid-forties, health insurance plans were composed predominantly of self-paying members. Each person decided for himself whether or not he wished to have his funds (dues or subscription charges) pooled with others in a prepayment plan. This arrangement involved three parties: the member, the provider of service (doctor, hospital), and the prepayment plan selected by the member. This setting lent itself readily to the Kaiser Foundation Health Plan's principle of voluntary enrollment and the membership in the plan grew substantially during that period.

With the advent of negotiated health and welfare funds late in the 1940's, and their rapid growth in the early 1950's, a fourth party was added to the prepaid medical care arrangement. This fourth party, the welfare fund, established large pools of funds for the purchase of prepaid medical care. Under this fourth party arrangement the pooling was no longer a result of the voluntary decision of each individual to contribute to the pool; rather, it was the

result of group decision and labor-management agreements.

The fourth party—the vehicle which creates the pooled funds—is most frequently a health and welfare fund. There are other types of fourth parties, including those created when participation in a pool is a condition of employment.

With such a pooled fund it was natural for the notion to arise that one and the same plan should be purchased for all the beneficiaries of the fund, irrespective of the desire of the individual beneficiaries. Obviously in communities where all the prepayment plans were the traditional solo practice, fee-for-each-service type of plan, the purchase by the fund of one and the same plan for all its members was to be expected. However, in the San Francisco Bay Area a direct service, group practice prepayment plan was available in addition to the traditional type of plan. It was, therefore, understandable that arrangements should be developed to apply pooled funds for the purchase of prepaid medical care in a manner to permit the individual beneficiaries a choice between the two types of prepayment plans. This is the meaning of the term dual choice—a program which provides beneficiaries of health and welfare funds a choice between a group practice prepayment plan, such as the Kaiser Foundation Health Plan, and a fee-for-each-service type of plan, such as Blue Cross, Blue Shield, or an insurance company. Through dual choice each beneficiary is permitted to select the kind of prepaid medical care arrangements he desires. In this way our plan has been able to maintain the principle of voluntary enrollment in fourth party arrangements.

Machinery of Dual Choice

An outline is given below of the mechanics of establishing dual choice programs. There can be wide variations in the methods employed. However, in the interest of brevity, the description will be limited to the types of arrangements which have proved to be feasible and practical in our experience.

1. The welfare fund trustees select the prepayment plans.
2. An equal amount of money per employee per month is spent for each of the plans.
3. Information describing the benefits of the two plans is made available to each of the beneficiaries.
4. The beneficiaries are permitted and encouraged to make up their own minds as to which plan they desire, without the intervention of solicitors from either plan, and without any steering from employer or union.
5. Each beneficiary is required to make an affirmative choice of plans.
6. The beneficiaries are given an opportunity annually to transfer from one plan to the other.
7. The prepayment plans in a dual choice program must agree in advance that they will accept the beneficiaries who select their plan whether the number be large or small, without percentage restrictions or other qualifications.

Occupational Groups with Dual Choice Programs

Dual choice programs have been instituted for groups representing a wide variety of industries and occupations. They include: longshoremen, office workers, culinary workers, carpenters, warehousemen, teachers, printers, retail clerks, county and municipal employees. Today, the Kaiser Foundation Health Plan membership in the San Francisco Bay Area Region of Northern California includes approximately 90,000 members who belong to our plan through groups with dual choice programs. This number is approximately 27 per cent of our total membership.

In the 53 groups having dual choice programs in our area, the alternate plans are provided by commercial insurance companies, by Blue Cross, or by Blue Shield. (In California, Blue Cross and Blue Shield are competing organizations.)

Proportion of Enrollment in Each Plan in Dual Choice Programs

There are wide variations among different groups in the proportion of members choosing each plan. In groups that start out with a dual choice program without first having belonged to a single plan. our experience indicates approximately equal enrollment in the two plans. On the other hand. when dual choice is introduced to a group which already belongs to a prepayment plan, the incumbent plan has the decided advantage.

Relatively few members shift from one plan to the other during the period provided annually for transfer. However, the direction of the shift is predominantly to our plan.

Utilization of Services in Dual Choice Programs

Recently, we reviewed the health plan hospital utilization rates for the year 1957 for dual choice groups with enrollments in the Kaiser Foundation Health Plan of more than 500 persons. Among the 18 groups in this category,* the range in utilization rates was wide—from 365 to 1,210 days of hospital care per 1,000 members per year.

As with our total health plan membership. hospital utilization in dual choice groups is directly related to age. Groups made up predominantly of young persons have low hospital utilization experience, and groups composed predominantly of older persons have high hospital utilization experience, as indicated in Table 1.

As a point of reference, for our total health plan membership the utilization rate in 1957 was 660 hospital days of care per 1,000 members and 71 per cent of our total membership was under 45 years of age.

The pattern of hospital utilization in these dual choice groups is associated with the age composition of workers and their families in the industries from which these groups derive. To use insurance language for a moment, the mechanism of dual choice does not appear to result in the "favorable risks" selecting one plan and the "unfavorable risks" selecting the other. Rather it appears that the composition of the total group determines for both plans whether hospital utilization is going to be relatively low. intermediate, or high

Table 1 — Frequency Distribution of Specified† Dual Choice Groups by Hospital Utilization Rates, with Age Composition Indicator‡ Given for Each Level of Utilization

Hospital Days§ per 1,000 per Year	Number of Groups	Percent of Persons Under the Age of 45
300– 399	1	86
400– 499	4	77
500– 599	3	75
600– 699	4	65
700– 799	4	63
800– 899		
900– 999		
1,000–1,099	1	48
1,100–1,199		
1,200–1.299	1	31

† Groups specified in first paragraph of Section on Utilization of Services in Dual Choice Programs.

‡ Percentage of persons in the age group under 45 years is used as an indicator of the age composition of the total group.

§ Excludes days of hospital care for newborns.

* Excluded from this review of dual choice groups with membership in excess of 500 persons were:

(a) Groups which were not covered throughout 1957.

(b) Groups of employees in the Kaiser industries.

(c) Groups of employees of Kaiser Foundation Health Plan, Kaiser Foundation Hospitals, and the Permanente Medical Group.

(d) Groups covering subscribers only or dependents only.

(e) One large group with a significant portion of members (casuals) for whom birthdates were not available.

Table 2—Percentage Distribution by Age and Average Age of Employees in a Dual Choice Program, October, 1955

(Data for a large service industry in San Francisco. Separate segments of the industry have their own welfare fund, and are designated below as subgroups. Note: Dependents are not included in this Table.)

	Total		Subgroup A		Subgroup B		Subgroup C		Subgroup D	
All Groups	Kaiser	Alternate	Kaiser	Alternate	Kaiser	Alternate	Kaiser	Alternate	Kaiser	Alternate
	N=		N=		N=		N=		N=	
	(10,488)	(6,801)	(7,828)	(3,758)	(1,405)	(2,432)	(1,023)	(390)	(232)	(221)
All ages	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Under 45	45	43	48	51	41	35	26	26	28	22
45–54	27	30	27	29	30	33	27	29	31	29
55–64	19	20	18	16	21	24	30	28	25	31
65 and over	9	7	7	4	8	8	17	17	16	18
Average Age	47 yrs	47 yrs	46 yrs	45 yrs	48 yrs	49 yrs	53 yrs	53 yrs	52 yrs	53 yrs

This conclusion is based in part on data and in part on inference. The wide range in our hospital utilization experience among dual choice groups is somewhat inconsistent with the hypothesis that in dual choice the Kaiser Plan tends to attract the "favorable risks" to the detriment of the alternate plan; also, it argues against the hypothesis that we tend to attract the "unfavorable risks" to our own detriment. From our knowledge and impressions of the age composition of workers in the industries having dual choice programs, the age composition of the group which selects the Kaiser Plan is not unlike that of the total group. A case in point is a service industry group in our area. Table 2 gives the age distribution of employees in this group who selected the Kaiser Foundation Health Plan and comparable data for those who selected the alternate plan.

Direct comparisons of utilization experience under the alternate plan and under our plan are not available. Dual choice programs, by definition, include two prepayment plans each having a totally different approach to the method of providing medical care. The fee-for-each-service plan is concerned with the frequency of claims for the various categories of benefits, and the total dollar expenditure as it relates to income. The group practice prepayment plan, on the other hand, is concerned with developing and maintaining adequate staff and facilities to meet the medical care requirements of its membership. Establishing price tags for each service and keeping a "dollar score" for each group would be meaningless and wasteful in the framework of the Kaiser Foundation Health Plan. Comparisons of utilization under dual choice programs will, therefore, not become available unless special studies are undertaken which would either (1) attempt to price individual services provided to Kaiser Plan members in an effort to get the dollar paid-in, dollar paid-out type of information used by insurance plans, or (2) attempt, for the insurance plan, to obtain utilization statistics for comparison with our data.

Although direct comparisons of experience are not available, there are clues as to utilization in the alternate plan. These clues emerge from the prevailing pattern of rate-making, which is experience rating in all of the plans in

our area except the Kaiser Foundation Health Plan. From these clues, the same conclusion is drawn, i.e., in general, the age composition of the total group determines for both plans whether the experience, in terms of utilization, is relatively low, intermediate, or high.

A word of caution, however, should be mentioned here. Special circumstances in a group may produce substantially different types of enrollment in the two plans. For example, one of our large groups had a single fee-for-each-service plan for approximately ten years before dual choice was introduced. In this group the funds were to be used for medical care for the employee only. Each employee could voluntarily include his dependents by making the necessary monthly contribution. The benefits for dependents were very limited and the monthly contributions were very high. As a result, very few employees—particularly among the younger ones with large families—covered their dependents. When the Kaiser Foundation Health Plan was made available on a dual choice basis, many of these younger employees with large families joined our plan in order to cover their dependents. Thus, special circumstances within a group can produce effects which would favor one plan or the other from a "risk" standpoint.

Summary

This is a brief and, to some extent, oversimplified description of the manner in which a group practice direct service prepayment plan in the San Francisco Bay Area, in cooperation with membership groups in the community, met the challenge of changing conditions in the prepayment field. With the emergence of health and welfare funds, a dynamic and potent fourth party was added in the arrangements for prepaid medical and hospital services. The development of dual choice programs permitted the Kaiser Foundation Health Plan to continue its growth in this new setting without departing from its policy of voluntary enrollment.

Mr. Yedidia is consultant, Kaiser Foundation Health Plan, Inc., Northern California Region, Oakland, Calif.

This paper was presented before a Joint Session of the Dental Health, Medical Care, and Public Health Nursing Sections of the American Public Health Association at the Eighty-Sixth Annual Meeting in St. Louis, Mo., October 29, 1958.

COPY FOR MR YEDIDIA

Mr. Fred W. Tennant

August 18, 1959

Robert J. Erickson

Subject: Summary of Special Report on Federal Legislation Made by Avram Yedidia and Bob Erickson at the Staff Meeting Held on August 10, 1959 xxxx

1. Avram Yedidia. Avram discussed the significance of the Federal Employees Health Benefits Act (S 2162 - HR 8210) to the Health Plan. He pointed out the special importance of Federal employees to the Hawaiian Region and to the Northern California Region, which has 50,000 members who are Federal employees or the dependents of Federal employees. He then discussed the original Federal Employees Health Benefits bill (S 94 -- HR 208) and pointed out the problems involved in analyzing the bill, determining what its provisions meant, or what they might mean, to the Health Plan, classifying the seriousness of the problems presented by the bill, and determining a course of action to deal with the serious problems posed by the bill.

   Avram then discussed some specific problems raised by the original Federal Employees Health Benefits bill:

   (a) The failure to define group practice prepayment plans.

   (b) The failure to provide for an informed choice of plans by Federal employees.

   (c) The emphasis and priority given to major medical health insurance.

   (d) The establishment of a central clearing house for payments conducted by the carriers which would necessarily be dominated by the carriers offering nationwide programs.

   The bill, in its original form, contained serious defects which could have resulted in eliminating Federal employees as a source of Health Plan membership.

2. Bob Erickson. Bob Erickson reported on the technical steps required for effective legislative action with regard to a specific legislative matter. Careful analysis was required to determine the problems posed to the Health Plan by the original Federal Employees Health Benefits bill. One of the most important steps was to determine which problems required action and which problems could be lived with. The Health Plan finally proposed five major amendments and six minor amendments to the Federal Employees Health Benefits bill.

The next step was the presentation of the proposed amendments. This included the testimony by Art Weissman and Avram Yedidia before the Senate Subcommitte and extended discussions which they and Art Reinhart had with members of the Subcommittee staff in Washington. Avram pointed out that their real effectiveness was with the special experts who had been attached to the Subcommittee staff and with Senator Neuberger, who was converted from a major medical viewpoint to a preventive health services viewpoint during the course of the hearings and discussions.

The result of the preparation of amendments and their presentation in conjunction with the testimony and efforts of other organizations was that a new bill (S 2162) was introduced. It incorporated every one of the eleven amendments suggested by the Health Plan in some manner.

The new bill was analyzed and it was determined to take no action with regard to it since the Health Plan staff was convinced that we could live with the problems still contained in the bill. This bill passed the Senate by a vote of 86 to 4.

The next step was hearings before the House Committee; these are continuing. Art Weissman and Jim Vohs, the Southern California Health Plan Manager, attended the hearings for one week. They decided not to testify but submitted written testimony on behalf of the Health Plan and discussed the bill with Representative Morrison and the Committee staff. It is now anticipated that the Federal Employees Health Benefits bill will be approved by the House Committee some time during the week of August 17 and it is expected to be voted upon by the House before the end of this session. The danger still exists of adverse amendments or a veto by the President.

If the bill is enacted, it will be essential for the Health Plan to establish and maintain good relations with the Civil Service Commission and Health Plan representatives working with Federal employees will have increased responsibilities during the period when Federal employees are being informed and making their choice of plans.

It should be recognized that the influence of Kaiser Health Plan with regard to the Federal Employees Health Benefits bill thus far has been immeasurably greater than our importance in the over-all Federal employee picture would merit. Our success can be attributed to the effective development and presentation of our ideas; to our generally good reputation as an organization interested in improving health care; and to our policy of presenting reasonable, defensible approaches to problems which emphasize, in fact and in theory, valid public interests and are not limited to our own self interest.

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*Unless otherwise specified all place names are California. KPMCP refers to Kaiser Permanante Medical Care Program.

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Postgraduate Researcher, Assistant Specialist, and Research Associate and author specializing in governance of the San Francisco Bay Area and the California coastline for the Institute of Governmental Studies, University of California, Berkeley, 1968-1985. Research Associate, ABT Associates, Inc., Cambridge, Massachusetts, to study the San Francisco Redevelopment Agency for U.S. Department of Housing and Urban Development (HUD), 1978-1979. Legal research for Oakland family law attorney, 1975-1984.

From 1956 to date active in community affairs as member and past chairperson, City of Berkeley Waterfront Commission; as president of the League of Women Voters of Berkeley: and as director, officer, and chairperson of studies of regional government, land use, and general program planning for the Leagues of Women Voters of California, of the Bay Area, and of Berkeley.

Employed, 1983, as interviewer on numismatics, soil chemistry, and medical care topics for the Regional Oral History Office.